



Listed Investment Companies (LICs)

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Listed Investment Companies (“LICs”)

As Self-Managed Super Funds (“SMSFs”) have become the fastest growing segment of the superannuation industry, Listed Investment Companies (“LICs”) have become increasingly popular.

According to the Australian Financial Review (3rd May 2014): *“Australia’s booming SMSF industry is showing greater interest in LICs as more financial advisers recommend them and self-directed investors consider listed managed funds as an alternative to unlisted products.”*

LICs give SMSFs diversity which is difficult to achieve for the average SMSF because total assets in average SMSFs are around A\$1m.

A LIC is a listed investment vehicle that offers investors access to a diversified portfolio of shares in other companies also listed on the stock market. LIC managers charge fees.

LICs have a closed end structure, where the number of shares is fixed and new shares are neither issued nor cancelled as investors enter or leave the fund. The manager is not required to sell stocks in the portfolio to raise funds for any departing investor.

There are many drivers of the share price performance of LICs, which include (but are not exclusive to):

- Total shareholder returns – commonly measured over 10 years – a measure of the manager;
- Liquidity (market capitalisation);
- Premiums/discounts to Net Tangible Assets (“NTA”);
- Fees – both management fees and performance fees (where applicable);
- Yield (including franking) and sustainability of dividends;
- Investor marketing programs.

This reports reviews these attributes in 24 domestic and 6 global LICs.

From the 30 LICs reviewed, we placed BUY recommendations on 8 companies.

These are (in alphabetical order): Australian Leaders Fund Limited (“ALF”); Cadence Capital Limited (“CDM”); Carlton Investments Limited (“CIN”); Contango Microcap (“CTN”); Diversified United Investment Limited (“DUI”); Naos Emerging Opportunities Company Limited (“NCC”); OZgrowth Limited (“OZG”); and Westoz Investment Company Limited (“WIC”).

There is no evidence to suggest that the increases in the superannuation guarantee contributions will inhibit Australia’s booming SMSF industry. There is also no indication that the SMSFs’ interest in LICs will diminish either.

So it is logical to expect that greater interest in LICs will result in the formation of more LICs. Self-directed investors are also more likely to consider LICs.

Both the increase in the number of LICs and the continuation of investors self-directing should lead to increased marketing expenditure behind LICs within the superannuation industry.

Any increase in marketing is likely to harness social media too.

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Company profiles of the Listed Investment Companies mentioned are attached at the end of this document

Ticker	Company
ABW	Aurora Absolute Return Fund
AFI	Australian Foundation Investment Company Limited
AGF	Amp Capital China Growth Fund
ALF	Australian Leaders Fund Limited
AMH	AMCIL Limited
ARG	Argo Investments Limited
AUI	Australian United Investment Company Limited
BKI	BKI Investment Company Limited
CAM	Clime Capital Limited
CDM	Cadence Capital Limited
CIN	Carlton Investments Limited
CTN	Contango Microcap Limited
CYA	Century Australia Investments Limited
DJW	Djerriwarrh Investments Limited
DUI	Diversified United Investment Limited
EMF	Emerging Markets Masters Fund
FSI	Flagship Investments Limited
HHV	Hunter Hall Global Value Limited
MFF	Magellan Flagship Fund Limited
MIR	Mirrabooka Investments Limited
MLT	Milton Corporation Limited
NCC	Naos Emerging Opportunities Company Limited
OZG	Ozgrowth Limited
PMC	Platinum Capital Limited
TGG	Templeton Global Growth Fund Limited
WAM	WAM Capital Limited
WAX	WAM Research Limited
WHF	Whitefield Limited
WIC	Westoz Investment Company Limited
WMK	Watermark Market Neutral Fund Limited

Background and introduction

SMSFs

Similar to other superannuation (super) funds, self-managed super funds (“SMSFs”) provide a way of saving for your retirement. The difference between an SMSF and other types of funds is that, generally, the members of an SMSF are also the trustees. This means the members of the SMSF run it for their own benefit. The Australian Taxation Office (ATO) is the regulator of SMSFs.

LICs

According to Clime Capital Limited's website:

“A LIC is a listed investment vehicle that offers investors access to a diversified portfolio of shares in other companies also listed on the stock market. In this way, it is great ways to diversify risk through holding a single stock. LICs are listed on the ASX just like BHP or CBA.

A major benefit of the LIC structure is that it is a 'closed end' pool of capital. By this we mean that if an investor wants to leave, he or she sells shares in the usual way. No money leaves the fund and only the shareholders change. This is an important difference from a managed fund or unit trust structure, where an investor leaves by withdrawing their money from the fund, forcing the manager of the fund to sell at what might be low prices. In fact, most investors depart a fund when stocks have fallen significantly, which historically has proven to be the best time to buy, not to sell.

So, with LICs, the manager of the fund does not have to sell stocks in the portfolio to raise cash for a departing investor.

Conversely, most money pours into the market when stock prices are soaring. The manager of the managed fund or unit trust may then be forced to buy companies at inflated prices due to their strict mandates. This type of momentum investing can cause a serious destruction of capital when a bull market ends.

As a LIC is 'closed end' it does not have these problems.”

Hence, according to Macquarie's website: *“LICs are companies traded on the ASX where the share price is determined by the market. They are closed-end structures which allow the fund manager to concentrate on investment selection without having to factor in the possibility of money coming into or leaving the company.”*

The market capitalisations of Australian-listed LICs now exceed \$22.5 billion (1.24% of the ASX), with many more in the pipeline to be listed on the ASX.

Total shareholder returns and the manager

The total shareholder return ("TSR") is the capital gain plus dividends.

Total shareholder returns are a measure which differentiates the performance of all LICs.

On 1 May 2014 Roger Montgomery said: "An important feature in evaluating investment performance is consistency. Ironically, the fund manager that tops the league tables in any one year is unlikely to be the one you want. Getting to the top of the league tables in a single year usually entails taking big risks and having them come off. This approach usually ends in tears sooner or later."

Hence a key attribute in evaluating investment performance of LICs is the 10-year shareholder return.

Below is a table ranking all LICs (30 are in our universe) by 10-year TSR.

Table 1: 10-year total shareholder returns

Code	Company	10 Year TSR	5 Year TSR	3 Year TSR	1 Year TSR	6 Month TSR	Comments
AFI	Australian Foundation Investment Company	0.0%	12.10%	12.80%	13.90%		
ARG	Argo Investments Limited	9.0%	13.70%	9.20%	13.90%		
MLT	Milton Corporation Limited	9.8%	14.12%	16.18%	16.79%		
DJW	Djerriwarrh Investments Limited	9.9%	12.40%	9.80%	16.70%		
AUI	Australian United Investment Company	0.0%	NA	NA	NA		NA: No data
BKI	BKI Investment Company Limited	10.8%	16.00%	15.30%	10.10%		
CIN	Carlton Investments Limited	0.0%	NA	NA	NA		NA: No data
WAM	WAM Capital Limited	9.7%	15.30%	8.50%	11.00%		
DUI	Diversified United Investment Limited	0.0%	2.60%	6.30%	32.60%		NOTE: old figures, July-2013
ALF	Australian Leaders Fund Limited	0.0%	22.60%	14.40%	23.20%		
MIR	Mirrabooka Investments Limited	13.5%	24.20%	16.60%	21.20%		
WHF	Whitefield Limited	9%	NA	14.92%	12.65%		NA: No data
CDM	Cadence Capital Limited	NA	246.72%	60.82%	12.17%		NA: Inception (8.6 years to 30/04/14 = 351.30%)
AMH	AMCIL Limited	13.0%	13.60%	NA	7.90%		NA: No data
CTN	Contango Microcap Limited	0.0%	17.00%	-0.90%	13.10%		
WAX	WAM Research Limited	6.10%	15.00%	11.80%	12.60%		NA: Change investment strategy
WIC	Westoz Investment Company Limited	NA	-34.00%	14.00%	6.00%		NA: Inception May-05 (=16% since)
WMK	Watermark Market Neutral Fund Limited	NA	NA	NA	NA	3.50%	NA: No Data, Inception Jul-13 (YTD=8.4%)
CAM	Clime Capital Limited	NA	21.40%	10.60%	2.00%		NA: Change in management (21.4% since Jul-09)
OZG	Ozgrowth Limited	NA	NA	NA	NA		NA: No data
CYA	Century Australia Investments Limited	NA	NA	NA	13.15%		NA: Inception 8/4/04
FSI	Flagship Investments Limited	NA	19.10%	14.30%	24.50%		NA: 10-year not supplied (inception May98)
NCC	Naos Emerging Opportunities Company	NA	NA	NA	32.95%	1.67%	NA: Inception 26/02/13
ABW	Aurora Absolute Return Fund	NA	NA	6.10%	4.92%		NA: Change in investment strategy 1/3/11 (3.87%)
HHY	Hastings High Yield Fund	NA	NA	NA	NA		NA: No data
AOD	Aurora Dividend Income Trust (Managed Fund)	NA	NA	9.50%	11.60%		NA: Inception 16/11/05 (8.1% since)
AUP	Aurora Property Buy-Write Income Trust	NA	10.86%	8.61%	5.25%		NA: Inception July-07
Global LICs							
MFF	Magellan Flagship Fund Limited	NA	NA	NA	NA		NA: No data (inception Dec-06)
PMC	Platinum Capital Limited	7.4%	10.30%	13.50%	28.20%		
AGF	Amp Capital China Growth Fund	NA	NA	-4.50%	2.30%		NA: Inception 10/01/07 (2.5%)
TGG	Templeton Global Growth Fund Limited	5.4%	12.80%	16.70%	41.80%		
HHV	Hunter Hall Global Value Limited	0.0%	14.60%	8.50%	27.20%		
EMF	Emerging Markets Masters Fund	NA	NA	NA	3.00%	10.20%	NA: Inception 2/10/12 (6.9%)
OCP	Oceania Capital Partners Limited	NA	NA	NA	NA		NA: No data
AIB	Aurora Global Income Trust	NA	NA	1.20%	-4.00%		NA: Inception 1/07/08 (4.3%)

Source: Companies & BBY

Clearly, CTN is the stand-out closely followed by ALF - although CTN has a smaller stock focus, such that it typically owns 60-100 stocks in its portfolio and the top 20 of these holdings represents less than 50% of the overall portfolio.

Eight other LICs produced creditable 10-year returns - greater than 10% per annum.

The eight in the middle with single-digit performances were five domestic followed by three global LICs.

Fourteen had no 10-year performance data available – due to their inception being less than 10 years ago.

Market Capitalisation

Market capitalisation is an important indicator of liquidity in a LIC.

Table 2: LIC's by market capitalisation

Code	Company	Price (\$) 19/05/2014	Market cap \$m
Domestic LICs			
AFI	Australian Foundation Investment Company Limited	5.910	6199.9
ARG	Argo Investments Limited	7.230	4787.6
MLT	Milton Corporation Limited	4.370	2756.7
DJW	Djerriwarrh Investments Limited	4.690	1025.2
AUI	Australian United Investment Company Limited	8.220	897.1
BKI	BKI Investment Company Limited	1.620	849.3
CIN	Carlton Investments Limited	26.250	695.0
WAM	WAM Capital Limited	1.915	652.3
DUI	Diversified United Investment Limited	3.560	609.1
ALF	Australian Leaders Fund Limited	1.695	389.4
MIR	Mirrabooka Investments Limited	2.650	369.3
WHF	Whitefield Limited	4.220	321.6
CDM	Cadence Capital Limited	1.430	248.7
AMH	AMCIL Limited	0.950	216.7
CTN	Contango Microcap Limited	1.005	158.4
WAX	WAM Research Limited	1.125	157.2
WIC	Westoz Investment Company Limited	1.280	164.0
WMK	Watermark Market Neutral Fund Limited	1.020	85.5
CAM	Clime Capital Limited	0.975	78.9
OZG	Ozgrowth Limited	0.195	70.1
CYA	Century Australia Investments Limited	0.890	70.9
FSI	Flagship Investments Limited	1.535	37.2
NCC	Naos Emerging Opportunities Company Limited	1.065	37.5
ABW	Aurora Absolute Return Fund	1.060	22.9
HHY	Hastings High Yield Fund	0.360	40.3
AOD	Aurora Dividend Income Trust (Managed Fund)	1.015	24.4
AUP	Aurora Property Buy-Write Income Trust	5.360	12.9
Global LICs			
MFF	Magellan Flagship Fund Limited	1.465	520.4
PMC	Platinum Capital Limited	1.630	376.6
AGF	Amp Capital China Growth Fund	0.660	247.2
TGG	Templeton Global Growth Fund Limited	1.255	249.0
HHV	Hunter Hall Global Value Limited	1.020	192.2
EMF	Emerging Markets Masters Fund	1.630	136.1
OCP	Oceania Capital Partners Limited	1.460	51.5
AIB	Aurora Global Income Trust	0.900	7.6
Total			22563.7

Source: Companies & BBY

Liquidity

Liquidity is an important aspect to consider as more thinly traded LICs can be hard to get out of if the market takes a turn for the worse.

Liquidity can also be driven by trends too. According to Australian Foundation Investment Company Limited (AFI): *"Supply and demand for shares at any one time can fluctuate. In particular, listed investment company shares sometimes fall out of favour. When the general market is running strongly investors may elect to move out of "value" shares into "growth stocks". Conversely when market conditions are more subdued investors may value a steadier stream of dividends and a value based approach to investing."*

Many LICs have engaged in on-market buybacks to increase liquidity.

Table 3: LIC's by liquidity

Code	Company	Turnover Monthly A\$m	Monthly turnover % of market capitalisation
AFI	Australian Foundation Investment Company Limited	42.129	0.7%
ARG	Argo Investments Limited	28.943	0.6%
WAM	WAM Capital Limited	17.901	2.7%
MLT	Milton Corporation Limited	15.250	0.6%
ALF	Australian Leaders Fund Limited	14.600	3.8%
MFF	Magellan Flagship Fund Limited	14.234	2.7%
PMC	Platinum Capital Limited	13.560	3.5%
DJW	Djerriwarrh Investments Limited	11.688	1.2%
TGG	Templeton Global Growth Fund Limited	9.044	3.6%
BKI	BKI Investment Company Limited	8.536	1.0%
CDM	Cadence Capital Limited	7.188	2.9%
AGF	Amp Capital China Growth Fund	6.884	2.7%
HHV	Hunter Hall Global Value Limited	5.779	3.0%
CTN	Contango Microcap Limited	4.358	2.8%
DUI	Diversified United Investment Limited	3.680	0.6%
AUI	Australian United Investment Company Limited	3.576	0.4%
WAX	WAM Research Limited	3.211	2.0%
WIC	Westoz Investment Company Limited	3.205	2.0%
MIR	Mirrabooka Investments Limited	3.176	0.9%
WHF	Whitefield Limited	2.538	0.8%
WMK	Watermark Market Neutral Fund Limited	1.937	2.3%
NCC	Naos Emerging Opportunities Company Limited	1.844	5.0%
ABW	Aurora Absolute Return Fund	1.599	7.1%
AMH	AMCIL Limited	1.291	0.6%
OZG	Ozgrowth Limited	1.269	1.8%
CAM	Clime Capital Limited	1.178	1.5%
CIN	Carlton Investments Limited	1.137	0.2%
CYA	Century Australia Investments Limited	0.930	1.3%
EMF	Emerging Markets Masters Fund	0.529	0.4%
FSI	Flagship Investments Limited	0.445	1.1%

Source: Companies & BBY

The two stocks with the largest dollar turnover liquidity, AFI and ARG, are also the two with the largest market capitalisation.

But other factors such as marketing and TSR are also significant drivers of liquidity as a percentage of market capitalisation.

For example, NCC has more than 4 times the liquidity of a higher market capitalisation stock such as FSI. NCC is the second highest LIC ranked on our list of average monthly turnover relative to market capitalisation.

Premiums/discounts to Net Tangible Assets (“NTA”)

According to Clime Capital Limited (CAM)’s website:

“LICs are unique investment vehicles because they can trade at a discount or premium to the assets that they own. When investors want to sell shares in the LICs, the share price may fall below the value of its net asset backing (or NTA). The net asset backing per share is what you would get per share if all the underlying shares were sold on the stock market.

We refer to this as trading at a discount to NTA. This can provide a great buying opportunity for investors, because they can buy into a portfolio of shares at less than it would cost to buy them separately on the ASX.

On the other hand, when the shares in a LIC rally, the share price may trade higher than the value of the assets it owns. In other words, you could buy the shares in the portfolio cheaper on the stock market (on average). This is referred to as trading at a premium to NTA. This situation can provide a selling opportunity for investors.”

Below is a table ranking all LICs (30 are in our universe) by premium or discount to Net Asset Value (or NTA).

Table 4: LIC’s by premium or discount to NTA (21 May 2014)

Code	Company	Price \$	Most recent pretax NAV	Premium or Discount
DJW	Djerriwarrh Investments Limited	4.620	3.790	21.9%
ALF	Australian Leaders Fund Limited	1.695	1.460	16.1%
MIR	Mirrabooka Investments Limited	2.620	2.360	11.0%
PMC	Platinum Capital Limited	1.620	1.480	9.5%
EMF	Emerging Markets Masters Fund	1.64	1.530	7.2%
WAM	WAM Capital Limited	1.910	1.782	7.2%
WAX	WAM Research Limited	1.140	1.072	6.3%
MFF	Magellan Flagship Fund Limited	1.475	1.391	6.0%
CDM	Cadence Capital Limited	1.430	1.371	4.3%
AMH	AMCIL Limited	0.940	0.930	1.1%
AFI	Australian Foundation Investment Company Limited	5.930	5.870	1.0%
MLT	Milton Corporation Limited	4.340	4.340	0.0%
BKI	BKI Investment Company Limited	1.640	1.640	0.0%
ABW	Aurora Absolute Return Fund	1.060	1.060	0.0%
ARG	Argo Investments Limited	7.300	7.390	-1.2%
WMK	Watermark Market Neutral Fund Limited	1.015	1.040	-2.4%
CYA	Century Australia Investments Limited	0.885	0.936	-5.4%
AUI	Australian United Investment Company Limited	8.190	8.670	-5.5%
WHF	Whitefield Limited	4.190	4.460	-6.1%
DUI	Diversified United Investment Limited	3.570	3.820	-6.5%
TGG	Templeton Global Growth Fund Limited	1.265	1.370	-7.7%
CAM	Clime Capital Limited	0.980	1.070	-8.4%
FSI	Flagship Investments Limited	1.600	1.759	-9.0%
WIC	Westoz Investment Company Limited	1.250	1.386	-9.8%
NCC	Naos Emerging Opportunities Company Limited	1.055	1.192	-11.5%
CIN	Carlton Investments Limited	26.300	29.780	-11.7%
HHV	Hunter Hall Global Value Limited	1.000	1.154	-13.3%
OZG	Ozgrowth Limited	0.205	0.237	-13.5%
CTN	Contango Microcap Limited	1.005	1.173	-14.3%
AGF	Amp Capital China Growth Fund	0.645	0.830	-22.3%

Source: Companies & BBY

Four of the LICs in our universe trade at more than a 12% discount to NTA: the global LIC HHV; the micro-cap focused CTN, the WA-focused OZG; and the Chinese company focused AGF.

Fourteen of our LICs trade at more than a 5% discount to NAV.

Eleven trade a premium to NTA with one, DJW, trading at more than a 20% premium.

Fees – both management fees and performance fees (where applicable)

On 27 April 2014, the Grattan Institute released a report titled: “*Super sting: how to stop Australians paying too much for superannuation*”.

It stated: “*Australians are paying up to three times more than they should for superannuation. Excessively high fees are seriously damaging their retirement balances and hurting taxpayers, who pay more for pensions when superannuation runs short. Reducing fees by half could save account holders \$10 billion a year. It is the largest single opportunity for micro-economic reform in the Australian economy.*”

Australians on average pay fees of 1.2 per cent on their superannuation account balances, more than three times the median OECD rate.

On conservative assumptions that means a 50-year old Australian today will have his or her super balance reduced by almost \$80,000 in fees (in today's dollars) at retirement. A 30-year old will lose more than \$250,000, or about a quarter of his or her total balance. Under a fairer fee structure, at least half that money could be saved.”

LIC fees vary widely. For our universe of stocks management fees range widely too - from FSI's zero (although performance fees are payable) to EMF's lofty 2.88%.

Table 5: Management Expense Ratios (fees) for LICs

Code	Company	Price \$ 28/05/2014	Market cap \$m	mgmt expense ratio benchmark	perf fee mgr
FSI	Flagship Investments Limited	1.610	39.0	0.000% UBS Bank Bill	15.0% Pohl & Co
AUI	Australian United Investment Company Limited	8.150	889.5	0.050% benchmark unaware	0.0% internal
CIN	Carlton Investments Limited	26.750	708.2	0.100% benchmark unaware	0.0% internal
MLT	Milton Corporation Limited	4.380	2763.0	0.130% benchmark unaware	0.0% internal
BKI	BKI Investment Company Limited	1.675	878.1	0.170% benchmark unaware	0.0% internal
DUI	Diversified United Investment Limited	3.580	612.6	0.170% benchmark unaware	0.0% internal
AFI	Australian Foundation Investment Company Limited	5.940	6231.4	0.180% benchmark unaware	0.0% internal
ARG	Argo Investments Limited	7.260	4807.4	0.180% benchmark unaware	0.0% internal
WHF	Whitefield Limited	4.150	316.2	0.350% ASX 200 All Industrials (XJIAI)	0.0% internal
DJW	Djerriwarrh Investments Limited	4.620	1009.9	0.390% benchmark unaware	0.0% internal
MIR	Mirrabooka Investments Limited	2.600	362.4	0.700% S&P/ASX Mid Cap 50 and Small Ordinaries Accumula	0.0% internal
AMH	AMCIL Limited	0.920	209.8	0.770% S&P/ASX 200 Accumulation Index	0.0% internal
ALF	Australian Leaders Fund Limited	1.675	385.4	1.000% S&P/ASX All Ordinaries Accumulation Index	20.0% Watermark
CDM	Cadence Capital Limited	1.440	250.5	1.000% S&P/ASX All Ordinaries Accumulation Index	20.0% internal
WAM	WAM Capital Limited	1.910	650.6	1.000% S&P/ASX All Ordinaries Accumulation Index	20.0% Wilsons
WAX	WAM Research Limited	1.120	156.5	1.000% S&P/ASX All Ordinaries Accumulation Index	20.0% Wilsons
WIC	Westoz Investment Company Limited	1.235	158.3	1.000% S&P/ASX Small Ordinaries	20.0% Euroz
WMK	Watermark Market Neutral Fund Limited	1.030	86.3	1.000% RBA cash rate	20.0% Watermark
CAM	Clime Capital Limited	0.990	80.1	1.000% S&P/ASX All Ordinaries Accumulation Index	20.0% internal
OZG	Ozgrowth Limited	0.205	73.7	1.000% S&P/ASX Small Ordinaries	20.0% Euroz
CYA	Century Australia Investments Limited	0.900	71.7	1.000% S&P/ASX 300 Accumulation Index	10.0% Perennial
TGG	Templeton Global Growth Fund Limited	1.300	257.9	1.000% MSCI AC World Free Index	0.0% internal
CTN	Contango Microcap Limited	1.010	159.2	1.250% S&P/ASX All Ordinaries Accumulation Index	0.0% internal
NCC	Naos Emerging Opportunities Company Limited	1.030	36.3	1.250% Small Ordinaries Accumulation Index (XSOAI)	15.0% NAOS Asset Mgmt
ABW	Aurora Absolute Return Fund	1.065	23.6	1.486% RBA cash rate	20.5% internal
MFF	Magellan Flagship Fund Limited	1.495	531.1	1.250% was MSCI World ex_Aus in AS	TSR>10% internal
PMC	Platinum Capital Limited	1.700	392.8	1.500% 5% above MSCI AC World Net Index in A\$	10.0% internal
AGF	Amp Capital China Growth Fund	0.665	249.1	1.650% S&P/CITIC 300 Total Return Index	20.0% internal
TGG	Templeton Global Growth Fund Limited	1.300	257.9	1.000% MSCI AC World Free Index	0.0% internal
HHV	Hunter Hall Global Value Limited	1.015	191.3	1.770% MSCI World Total Return Index in A\$	15.0% internal
EMF	Emerging Markets Masters Fund	1.640	136.9	2.880% explicitly not benchmark aware due to perceived index	0.0% 16 diversified mgrs

Source: Companies & BBY

Management fees are often augmented by performance fees too. Performance fees are payable once the performance exceeds a specified benchmark.

There is a perception that companies that charge performance fees have better performance.

Performance fees in our universe range from CYA's 10% to ABW's 20.5%.

Yield (including franking) and sustainability of dividends

Table 6: Grossed up yields of LICs

Code	Company	Price \$ 28/05/2014	Market cap \$m	Mgr	Last FY div	Grossed up yield	Franking
OZG	Ozgrowth Limited	0.195	70.1	Euroz	0.018	12.8%	100.0%
WIC	Westoz Investment Company Limited	1.260	161.5	Euroz	0.105	11.9%	100.0%
ALF	Australian Leaders Fund Limited	1.690	388.2	Watermark	0.120	10.1%	100.0%
CDM	Cadence Capital Limited	1.415	246.1	internal	0.100	10.1%	100.0%
WAM	WAM Capital Limited	1.920	654.0	Wilsons	0.125	9.3%	100.0%
WAX	WAM Research Limited	1.125	157.2	Wilsons	0.073	9.2%	100.0%
CTN	Contango Microcap Limited	1.000	157.6	internal	0.080	9.2%	35.0%
DJW	Djerriwarrh Investments Limited	4.640	1014.3	internal	0.260	8.0%	100.0%
AMH	AMCIL Limited	0.925	211.0	internal	0.050	7.7%	100.0%
NCC	Naos Emerging Opportunities Company Limited	1.050	37.0	NAOS Asse	0.053	7.1%	100.0%
PMC	Platinum Capital Limited	1.690	390.5	internal	0.080	6.8%	100.0%
HHV	Hunter Hall Global Value Limited	1.020	192.2	internal	0.060	6.3%	15.2%
FSI	Flagship Investments Limited	1.600	38.8	Pohl & Co	0.068	6.0%	100.0%
BKI	BKI Investment Company Limited	1.625	851.9	internal	0.069	6.0%	100.0%
WHF	Whitefield Limited	4.170	317.7	internal	0.170	5.8%	100.0%
EMF	Emerging Markets Masters Fund	1.630	136.1	16 diversifie	0.090	5.5%	0.0%
MLT	Milton Corporation Limited	4.380	2763.0	internal	0.168	5.5%	100.0%
DUI	Diversified United Investment Limited	3.540	605.7	internal	0.135	5.4%	100.0%
AFI	Australian Foundation Investment Company Limited	5.920	6210.4	internal	0.220	5.3%	100.0%
ARG	Argo Investments Limited	7.290	4827.3	internal	0.270	5.3%	100.0%
AUI	Australian United Investment Company Limited	8.150	889.5	internal	0.295	5.2%	100.0%
MIR	Mirrabooka Investments Limited	2.630	366.5	internal	0.095	5.2%	100.0%
CIN	Carlton Investments Limited	26.300	696.3	internal	0.950	5.2%	100.0%
CYA	Century Australia Investments Limited	0.890	70.9	Perennial	0.029	4.6%	100.0%
WMK	Watermark Market Neutral Fund Limited	1.015	85.1	Watermark	0.025	3.5%	100.0%
CAM	Clime Capital Limited	0.980	79.3	internal	0.022	3.1%	100.0%
ABW	Aurora Absolute Return Fund	1.060	22.4	internal	0.032	3.0%	0.0%
AGF	Amp Capital China Growth Fund	0.680	254.7	internal	0.019	2.8%	0.0%
TGG	Templeton Global Growth Fund Limited	1.265	251.0	internal	0.025	2.8%	100.0%
MFF	Magellan Flagship Fund Limited	1.500	532.2	internal	0.020	1.3%	0.0%

Source: Companies & BBY

BBY places a BUY recommendation on stocks that we expect will return 10% or more (price appreciation plus gross yield) over a 12-month period.

This definition captures four LICs:

- Ozgrowth Limited (“OZG”)
- Westoz Investment Company (“WIC”)
- Australian Leaders Fund Limited (“ALF”)
- Cadence Capital Limited (“CDM”)

The two Euroz Listed Investment Companies OZG and WIC, come out on top for the highest grossed up yields and interestingly, on 5 May 2014, Aquila Resources Limited (AQA) announced it has received notice of an unsolicited conditional off market takeover offer for the outstanding ordinary shares in it at a price of \$3.40 per share. Last traded price before the announcement was \$2.45. WIC and OZG hold significant positions in AQA. As at the end of April, AQA represented 9% of WIC’s portfolio and 7% of OZG’s. The two holdings combined represent approximately 2% of the issued capital in AQA.

Summary Recommendations

The many drivers of the share price performance of LICs are:

- Total shareholder returns – commonly measured over 10 years – a measure of the manager;
- Liquidity (market capitalisation);
- Premiums/discounts to Net Tangible Assets (“NTA”);
- Fees – both management fees and performance fees (where applicable); and
- Yield (including franking) and sustainability of dividends.

Before placing a BUY recommendation on a LIC, BBY considers if the Gross yield exceeds 10% **and/or**:

- Discount to NTA exceeds 5%
- 10-year TSR exceeds 10%
- Gross yield exceeds 5%
- Performance fees are less than or equal to 15%.

The following table summarises these attributes for the 24 domestic and 6 global LICs.

Table 7: Summary of attributes

Code	Company	Price \$	Target Price	Gross yield >10%	Discount >5%	10-Year TSR >10%	Gross yield >5%	Perf fees <15.01%	Recommendation
Domestic LICs									
AFI	Australian Foundation Investment Company Limited	\$ 5.910	\$ 5.86	-	-	YES	YES	YES	UNDERPERFORM
ARG	Argo Investments Limited	\$ 7.230	\$ 7.26	-	-	-	YES	YES	UNDERPERFORM
MLT	Milton Corporation Limited	\$ 4.370	\$ 4.35	-	-	-	YES	YES	UNDERPERFORM
DJW	Djerriwarrh Investments Limited	\$ 4.690	\$ 4.22	-	-	-	YES	YES	UNDERPERFORM
AUI	Australian United Investment Company Limited	\$ 8.220	\$ 8.36	-	-	YES	YES	YES	UNDERPERFORM
BKI	BKI Investment Company Limited	\$ 1.62	\$ 1.62	-	-	YES	YES	YES	UNDERPERFORM
CIN	Carlton Investments Limited	\$ 26.250	\$ 29.47	-	YES	YES	YES	YES	BUY
WAM	WAM Capital Limited	\$ 1.92	\$ 1.86	-	-	YES	YES	-	UNDERPERFORM
DUI	Diversified United Investment Limited	\$ 3.560	\$ 3.76	-	YES	YES	YES	YES	BUY
ALF	Australian Leaders Fund Limited	\$ 1.695	\$ 1.70	YES	-	YES	YES	-	BUY
MIR	Mirraboooka Investments Limited	\$ 2.650	\$ 2.52	-	-	YES	YES	YES	UNDERPERFORM
WHF	Whitefield Limited	\$ 4.220	\$ 4.31	-	-	-	YES	YES	UNDERPERFORM
CDM	Cadence Capital Limited	\$ 1.430	\$ 1.44	YES	-	YES	YES	-	BUY
AMH	AMCIL Limited	\$ 0.950	\$ 0.95	-	-	YES	YES	YES	UNDERPERFORM
CTN	Contango Microcap Limited	\$ 1.005	\$ 1.24	-	YES	YES	YES	YES	BUY
WAX	WAM Research Limited	\$ 1.125	\$ 1.12	-	-	-	YES	-	UNDERPERFORM
WIC	Westoz Investment Company Limited	\$ 1.280	\$ 1.35	YES	YES	-	YES	-	BUY
WMK	Watermark Market Neutral Fund Limited	\$ 1.020	\$ 1.04	-	-	-	-	-	UNDERPERFORM
CAM	Clime Capital Limited	\$ 0.975	\$ 1.02	-	YES	-	-	-	UNDERPERFORM
OZG	Ozgrowth Limited	\$ 0.195	\$ 0.24	YES	YES	-	YES	-	BUY
CYA	Century Australia Investments Limited	\$ 0.890	\$ 0.91	-	-	-	-	YES	UNDERPERFORM
FSI	Flagship Investments Limited	\$ 1.535	\$ 1.66	-	YES	-	YES	YES	UNDERPERFORM
NCC	Naos Emerging Opportunities Company Limited	\$ 1.065	\$ 1.24	-	YES	exception	YES	YES	BUY
ABW	Aurora Absolute Return Fund	\$ 1.060	\$ 1.06	-	-	-	-	-	UNDERPERFORM
Global LICs									
MFF	Magellan Flagship Fund Limited	\$ 1.465	\$ 1.44	-	-	-	-	-	UNDERPERFORM
PMC	Platinum Capital Limited	\$ 1.630	\$ 1.62	-	-	-	YES	YES	UNDERPERFORM
AGF	Amp Capital China Growth Fund	\$ 0.660	\$ 0.75	-	YES	-	-	-	UNDERPERFORM
TGG	Templeton Global Growth Fund Limited	\$ 1.255	\$ 1.31	-	YES	-	-	YES	UNDERPERFORM
HHV	Hunter Hall Global Value Limited	\$ 1.020	\$ 1.09	-	YES	-	YES	YES	UNDERPERFORM
EMF	Emerging Markets Masters Fund	\$ 1.630	\$ 1.58	-	-	YES	YES	YES	UNDERPERFORM

Source: Companies & BBY

Following this review we identify 8 LICs as BUYS.

These are (in alphabetical order):

- Australian Leaders Fund Limited (“ALF”);
- Cadence Capital Limited (“CDM”);
- Carlton Investments Limited (“CIN”);
- Contango Microcap (“CTN”);
- Diversified United Investment Limited (“DUI”);
- Naos Emerging Opportunities Company Limited (“NCC”);
- Ozgrowth Limited (“OZG”); and
- Westoz Investment Company Limited (“WIC”).

Future drivers of LICs

Self-Managed Superannuation Funds (SMSFs) are the fastest growing sector of the superannuation industry, spiking by 33% between 2008 and 2012, to be worth an estimated \$543 billion at present.

According to the Australian Financial Review (3rd May 2014): “Australia’s booming SMSF industry is showing greater interest in LICs as more financial advisers recommend them and self-directed investors consider listed managed funds as an alternative to unlisted products.”

The Australian superannuation industry is set to grow further due to the looming increases in the superannuation guarantee contributions.

According to Superguide: “In May 2010, the Federal Treasurer, Mr Wayne Swan, announced that compulsory employer super contributions were set to jump from the current 9% of salary to 12% by July 2019, an eventual 33% increase in Superannuation Guarantee (SG) contributions. On 29 March 2012, the proposed increase in SG entitlements received Royal Assent and became law, which means SG contributions will definitely increase to 9.25% from July 2013, and gradually increase to 12% from July 2019.”

The new Liberal government has promised to continue the SG rate increase, but at a slower rate. The increase in SG contributions is a stepped process which started with a 0.25% in the 2013/2014 financial year to 9.25%, and then another 0.25% increase in the 2014/2015 year to 9.5%. The Liberal government announced in the 2014 Federal Budget that the SG rate increase would then stall for 3 years, rising to 10% from 1 July 2018. The SG rate would then increase by 0.5% each year until it reached 12% by July 2022 (see table below)."

Table 8: Superannuation Guarantee Entitlements

Financial Year	Rate (%)
2011/2012	9
2012/2013	9
2013/2014	9.25
2014/2015	9.5
2015/2016	9.5
2016/2017	9.5
2017/2018	9.5
2018/2019	10
2019/2020	10.5
2020/2021	11
2021/2022	11.5
2022/2023	12

Source: Superguide

There is nothing to suggest that the looming increases in the superannuation guarantee contributions, will do anything to inhibit Australia’s booming SMSF industry.


There is nothing to indicate that the SMSFs’ interest in LICs will diminish.

So it is natural to expect the greater interest in LICs to result in an increased number of LICs.

Self-directed investors are also more likely consider LICs too.

Both the increase in the number of LICs and the continuation of investors self-directing should lead to increased marketing expenditure behind LICs within the superannuation industry.

Any increase in marketing is likely to harness social media too.

BBY Company Research		19 May 2014			
Amp Capital China Growth Fund					
AGF	A\$0.66	TARGET PRICE	A\$0.76		UNDERPERFORM
AMP Capital China Growth Fund is an investment entity incorporated in Australia. The Fund aims to provide long-term capital growth and to outperform the S&P/CITIC 300 Index. The Fund invests in China A shares listed on China's Shanghai or Shenzhen exchanges. China A shares are not readily available to Australian investors, and provide exposure to the growing Chinese economy.			Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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A mid-tier Global LIC investing in China

Amp Capital China Growth Fund (AGF):

- ◆ is a mid-tier global LIC in our universe in Australia by market capitalisation;
- ◆ trades at a massive 21.4% discount to NTA;
- ◆ has no 10-year TSR as inception date was 20 November 2006;
- ◆ has a hefty 1.65% management expense ratio;
- ◆ charges 20% performance fees on excess returns above the S&P/CITIC 300 Total Return Index; and
- ◆ offers a paltry 2.89% (zero-franked) yield.

Investment Aim

To achieve long-term capital growth for investors by investing in China A shares, which are shares in companies listed on China's Shanghai or Shenzhen stock exchanges; and outperform the S&P/CITIC 300 Total Return Index (expressed in Australian dollars).

Company Data

Number of shares	375M
Market capitalisation	\$245M
Free Float (%)	
12 month high/low	\$0.87/\$0.61
Average monthly turnover	\$7M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	165/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Downtrend	Resistance	\$0.781
Long Term	Downtrend	Support	\$0.606

Ten largest stock positions as at 31 March 2014

Company Name	Sector	Weight (%)
China Minsheng Banking Corp Ltd	Financials	5.1
Ping An Insurance Group Co of China Ltd	Financials	4.8
China Merchants Bank Co Ltd	Financials	4.2
China Vanke Co Ltd	Financials	4.0
Shanghai Pudong Development Bank Co Ltd	Financials	3.9
CITIC Securities Co Ltd	Financials	3.4
Kweichow Moutai Co Ltd	Consumer Staples	3.2
Gree Electric Appliances Inc	Consumer Discretionary	2.7
Anhui Conch Cement Co Ltd	Materials	2.6
Poly Real Estate Group Co Ltd	Financials	2.4
Total		36.2

AGF Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

Note: Numbers displayed are a sub-set

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BBY Company Research			19 May 2014		
Australian Leaders Fund Limited					
ALF	A\$1.69	TARGET PRICE	A\$1.69	BUY	
Australian Leaders Fund Ltd is an investment company incorporated in Australia. The Fund aims to provide a high rate of return, deliver a secure income stream of fully franked dividends, and preserve capital. The Fund invests up to 50% in liquid assets. At least 70% of the equity portion of the Fund are included in the S&P/ASX 100 Index. The Fund may short sell up to 30% of equity.				Russell Wright +61 2 9226 0091 rxw@bby.com.au	





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A mid-tier domestic LIC boasting a 16.0% 10–year TSR

Australian Leaders Fund (ALF):

- ◆ is the twelfth-largest LIC in Australia by market capitalisation;
- ◆ trades at a large 11.5% premium to NTA;
- ◆ but has the second-best 10-year TSR of its peers – 16.0%!
- ◆ has a high management expense ratio of 1.00%;
- ◆ and charges a 20% no performance fee on returns in excess of the S&P/ASX All Ordinaries Accumulation Index; and
- ◆ offers a very healthy 10.14% grossed up fully franked yield.

ALF Funds snapshot as at 31 March 2014:

Top 10 Holdings as at 31 March 2014

Ticker	Company Name	Weightings
ANZ	Australia and New Zealand Banking Group Limited	8.40%
CBA	Commonwealth Bank of Australia	4.90%
RIO	RIO Tinto Limited	4.40%
WES	Wesfarmers Limited	3.70%
TCL	Transurban Group	3.50%
RMD	ResMed Inc.	3.40%
QBE	QBE Insurance Group Limited	3.10%
ORG	Origin Energy Limited	2.80%
WBC	Westpac Banking Corporation	2.50%
AIO	Asciano Limited	2.50%

Fund Statistics

Fund NAV AUD (Millions)	\$346.10
Long (96)	135.70%
Short (67)	-96.70%
Gross Exposure	232.30%
Net Exposure	39%
Cash	61%

Investment Aim

The fund looks to invest in leading Australian companies, with strong business fundamentals on attractive terms. By constructing a portfolio of these undervalued shares we hope to deliver superior returns to our shareholders over time.

Company Data

Number of shares	230M
Market capitalisation	\$388M
Free Float (%)	
12 month high/low	\$1.84/\$1.41
Average monthly turnover	\$13M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	287/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance	\$1.72
Long Term	Uptrend	Support	\$1.68

ALF Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

Note: Numbers displayed are a sub-set

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BBY Company Research			19 May 2014			
AMCIL Limited						
AMH	A\$0.95	TARGET PRICE	A\$0.93	UNDERPERFORM		
<p>AMCIL Ltd is an investment company incorporated in Australia. The Fund aims to provide total returns comprising both income & capital growth, which exceed the return of the ASX All Ord Acc Index over the medium to long term. The Fund takes advantage of opportunities arising from thematic/cyclical rotations in the market, corporate activity and stock specific situations within Aust and NZ.</p>					<p>Russell Wright +61 2 9226 0091 rxw@bby.com.au</p>	

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Mid-tier LIC with fourth highest 10-year TSR

AMCIL Limited (AMH):

- is a mid-tier sized LIC in Australia by market capitalisation;
- trades at a negligible 1.1% discount to NTA;
- has a very high 10-year TSR of 13.2%;
- has a sizeable management expense ratio of 0.77%;
- charges no performance fees but measures itself against the S&P/ASX All Ordinaries Accumulation Index; but
- offers a very healthy 7.76% grossed up fully franked yield.

Investment Aim

To provide shareholders with attractive returns through strong capital growth in the portfolio over the medium to long term together with the generation of dividend income.

Company Data

Number of shares	228M
Market capitalisation	\$217M
Free Float (%)	
12 month high/low	\$1.02/\$0.80
Average monthly turnover	\$1M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	313/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

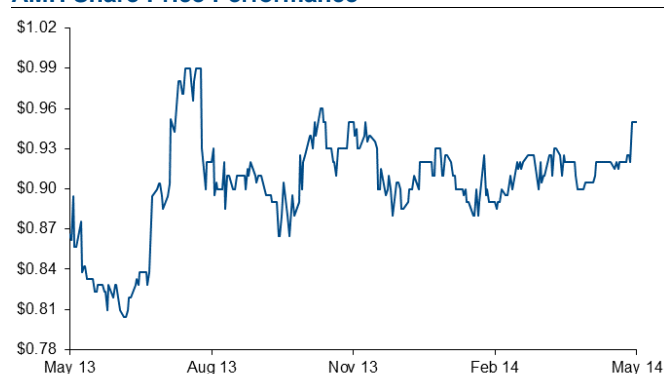
BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance	\$0.964
Long Term	Uptrend	Support	\$0.914

Valued at closing prices at 30 April 2014

Ticker	Company Name	Total Value (\$ million)
OSH	Oil Search Limited	16,377
BHP	BHP Billiton Limited	15,383
CBA	Commonwealth Bank of Australia	14,597
WBC	Westpac Banking Corporation	11,238
STO	Santos Limited	9,350
NAB	National Australia Bank Limited	8,825
BXB	Brambles Limited	8,204
TLS	Telstra Corporation Limited	8,180
TCL	Transurban Group	7,452
QBE	QBE Insurance Group Limited	6,133
EQT	Equity Trustees Limited	5,866
AMP	AMP Limited	5,448
QUB	Qube Holdings Limited	5,328
TOX	Tox Free Solutions Limited	4,858
TGR	Tassal Group Limited	4,669
CSL	Csl Limited	4,243
BKW	Brickworks Limited	3,889
CPU	Computershare Limited	3,748
IPL	Incitec Pivot Limited	3,505
CCL	Coca-Cola Amatil Limited	3,376
		150,667
As % of Total Portfolio		76.70%

AMH Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

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BBY Company Research			19 May 2014		
Argo Investments Limited					
ARG	A\$7.27	TARGET PRICE	A\$7.29	UNDERPERFORM	
<p>Argo Investments Ltd is a listed investment company incorporated in Australia. The objective of the Company is to maximize long-term secure returns through a balance of capital and dividend growth. The Company invests in about 180 companies and trusts representing a cross section of Australian enterprises, including a number with substantial overseas operations.</p>				<p>Russell Wright +61 2 9226 0091 rxw@bby.com.au</p>	

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The second largest LIC by market capitalisation

Argo Investments Limited (ARG):

- ◆ is the second-largest LIC in Australia by market capitalisation;
- ◆ trades at modest 0.8% discount to NTA;
- ◆ has a modest 10-year TSR of 9.4%;
- ◆ has a very cheap management expense ratio of 0.18%;
- ◆ charges no performance fees and is “benchmark unaware”; and
- ◆ offers a modest 5.35% grossed up fully franked yield.

Investment Aim

Maximise long-term returns to shareholders through a balance of capital and dividend growth.

Company Data

Number of shares	662M
Market capitalisation	\$4,810M
Free Float (%)	
12 month high/low	\$7.44/\$6.03
Average monthly turnover	\$27M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

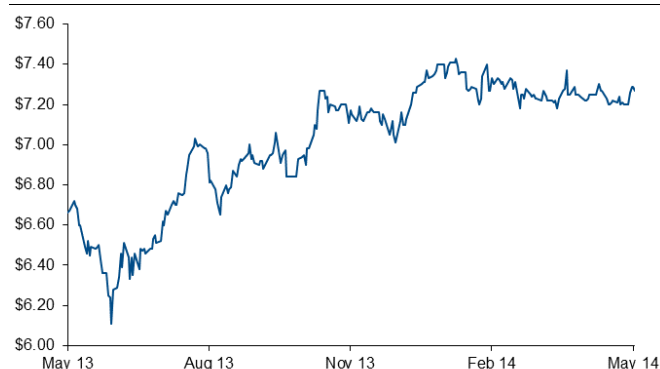
BBY Technical View – as at 15/05/2014

Short Term	Downtrend	Resistance	\$7.37
Long Term	Uptrend	Support	\$7.24

Top 20 Investments as at 31 March 2014

Ticker	Company Name	Weightings
WBC	Westpac Banking Corporation	7.3%
ANZ	Australia and New Zealand Banking Group Limited	6.3%
BHP	BHP Billiton Limited	6.2%
WES	Wesfarmers Limited	4.8%
CBA	Commonwealth Bank of Australia	4.4%
TLS	Telstra Corporation Limited	4.4%
NAB	National Australia Bank Limited	4.2%
MLT	Milton Corporation Limited	3.5%
RIO	RIO Tinto Limited	3.4%
WOW	Woolworths Limited	3.1%
MQG	Macquarie Group Limited	2.9%
AUI	Australian United Investment Company Limited	2.9%
ORG	Origin Energy Limited	2.0%
CSL	Csl Limited	1.6%
RHC	Ramsay Health Care Limited	1.4%
WPL	Woodside Petroleum Limited	1.4%
STO	Santos Limited	1.4%
AMP	AMP Limited	1.3%
CPU	Computershare Limited	1.2%
SYD	Sydney Airport	1.2%
Total		64.9

ARG Share Price Performance



BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

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BBY Company Research			19 May 2014			
Australian United Investment Company Limited						
AUI	A\$8.22	TARGET PRICE	A\$8.32	UNDERPERFORM		
Australian United Investment Company Ltd is an investment company incorporated in Australia. The objective of the Company is to reduce risk and improve income from dividends and interest over the long term. The Company primarily invests in shares of companies listed on the ASX based on their individual prospects for income and growth.				Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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The fifth-largest LIC in Australia by market capitalisation

Australian United Investment Company Limited (AUI):

- ◆ is the fifth-largest LIC in Australia by market capitalisation;
- ◆ trades at a healthy 3.2% discount to NTA;
- ◆ has a healthy TSR of 10.2%;
- ◆ has an excellent management expense ratio of just 0.05%;
- ◆ charges no performance fees and is “benchmark unaware”; and
- ◆ offers a modest 5.22% grossed up fully franked yield.

Top 25 Investments as at 30 April 2014

Ticker	Company Name	Weight (%)
ANZ	Australia and New Zealand Banking Group Limited	9.1
WBC	Westpac Banking Corporation	7.9
CBA	Commonwealth Bank of Australia	7.5
BHP	BHP Billiton Limited	7.4
NAB	National Australia Bank Limited	7.1
WES	Wesfarmers Limited	5.9
RIO	RIO Tinto Limited	5.0
WPL	Woodside Petroleum Limited	4.9
WOW	Woolworths Limited	4.3
DUI	Diversified United Investment Limited	4.1
ORG	Origin Energy Limited	2.1
ORI	Orica Limited	2.1
CSL	Csl Limited	2.0
TCL	Transurban Group	1.9
BXB	Brambles Limited	1.9
OSH	Oil Search Limited	1.9
TLS	Telstra Corporation Limited	1.5
STO	Santos Limited	1.4
AHD	Amalgamated Holdings Limited	1.3
AMP	AMP Limited	1.2
RHC	Ramsay Health Care Limited	1.2
MYS	Mystate Limited	1.1
QBE	QBE Insurance Group Limited	1.1
SOL	Washington H Soul Pattinson & Company Limited	1.0
TTS	Tatts Group Limited	0.9
Total		85.8

Investment Aim

AUI seeks, through careful portfolio management, to reduce risk and improve income from dividends and interest so as to maintain and grow dividend distributions to shareholders over the long term.

Company Data

Number of shares	109M
Market capitalisation	\$897M
Free Float (%)	
12 month high/low	\$8.30/\$6.57
Average monthly turnover	\$3M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	271/507
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 15/05/2014

Short Term	Downtrend	Resistance	\$8.34
Long Term	Uptrend	Support	\$7.96

AUI Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

Note: Numbers displayed are a sub-set

The ESG (Environmental, Social, Governance) score is a measure of the sustainability and ethical impact of an investment in this company or product. ESG scores range from 0.1 (min) to 100 (max). ESG scores are provided to BBY by Bloomberg and are only available for those companies that disclose ESG data to Bloomberg.

BBY Company Research		19 May 2014	
BKI Investment Company Limited			
BKI	TARGET PRICE	A\$1.63	UNDERPERFORM
BKI Investment Company Ltd is an investment company incorporated in Australia. The objective of the Company is to provide income and capital growth which exceeds the S&P/ASX 300 Accumulation Index over the medium to long term. The Company invests in companies, trusts and interest-bearing securities with a focus on Australian entities.			Russell Wright +61 2 9226 0091 rxw@bby.com.au





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The sixth-largest LIC in Australia by market capitalisation

BKI Investment Company Limited (BKI):

- ◆ is the sixth-largest LIC in Australia by market capitalisation;
- ◆ trades at a 3.2% discount to NTA;
- ◆ has a healthy TSR of 10.4%;
- ◆ has a very healthy management expense ratio of 0.17%;
- ◆ charges no performance fees and is “benchmark unaware”; and
- ◆ offers a modest 5.97% grossed up fully franked yield.

Investment Aim

To provide capital growth and a growing fully franked dividend.

Company Data

Number of shares	524M
Market capitalisation	\$849M
Free Float (%)	
12 month high/low	\$1.66/\$1.32
Average monthly turnover	\$8M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	304/507
ESG Disclaimer Score (Ranking)	
GICS Industry Group	Diversified Financials

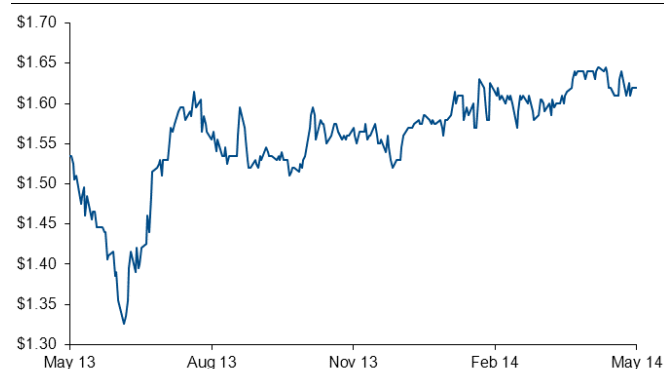
BBY Technical View – as at 16/05/2014

Short Term	Downtrend	Resistance	\$1.65
Long Term	Uptrend	Support	\$1.59

Top Holdings as at 30 April 2014

Ticker	Company Name	Weighting
CBA	Commonwealth Bank of Australia	9.3%
NAB	National Australia Bank Limited	9.2%
WBC	Westpac Banking Corporation	8.3%
BHP	BHP Billiton Limited	6.3%
TLS	Telstra Corporation Limited	5.3%
NHC	New Hope Corporation Limited	5.2%
ANZ	Australia and New Zealand Banking Group Limited	4.9%
WES	Wesfarmers Limited	4.5%
WOW	Woolworths Limited	3.8%
TPG	Taragon Property Fund	3.0%
AGL	Australian Gas Light Company	2.3%
APA	APA Group	2.3%
ALS	Alesco Corporation Limited	2.1%
IAG	Insurance Australia Group Limited	1.8%
SUN	Suncorp Group Limited	1.7%
IVC	InvCare Limited	1.4%
ARP	ARB Corporation Limited	1.3%
BOQ	Bank of Queensland Limited	1.2%
BEN	Bendigo and Adelaide Bank Limited	1.1%
CCL	Coca-Cola Amatil Limited	1.1%
MLT	Milton Corporation Limited	1.0%
TCL	Transurban Group	1.0%
RHC	Ramsay Health Care Limited	1.0%
PPT	Perpetual Limited	1.0%
Cash and cash equivalents		4.9%
Total		86.1%

BKI Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

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BBY Company Research			19 May 2014		
Clime Capital Limited					
CAM	A\$0.98	TARGET PRICE	A\$1.03	UNDERPERFORM	
Clime Capital Limited is an investment company incorporated in Australia. The Fund aims to preserve and protect the capital of the company, achieve long-term growth of capital and dividends without taking excessive or unnecessary risks, and to deliver a secure income stream in the form of fully franked dividends. The Fund invests in the equity securities of Australian industrial companies.				Russell Wright +61 2 9226 0091 rxw@bby.com.au	





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Performing strongly since change of management

Clime Capital Limited (CAM):

- ◆ is one of the smaller LICs in Australia by market capitalisation;
- ◆ trades at sizeable 8.4% discount to NTA;
- ◆ does not have a 10-year TSR which it is happy to report instead preferring to focus on the change of management date (July 2009) from which point returns have been a very strong 21.4% per annum;
- ◆ has a high management expense ratio of 1.00%;
- ◆ charges a very high performance fee of 20% on returns that exceed the S&P/ASX All Ordinaries Accumulation Index; and
- ◆ offers a small 3.13% grossed up fully franked yield.

Investment Aim

To generate returns for shareholders by investing in businesses with understandable economics and excellent growth and income potential that are run by capable management.

Company Data

Number of shares	81M
Market capitalisation	\$79M
Free Float (%)	
12 month high/low	\$1.13/\$0.96
Average monthly turnover	\$1M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	233/507
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

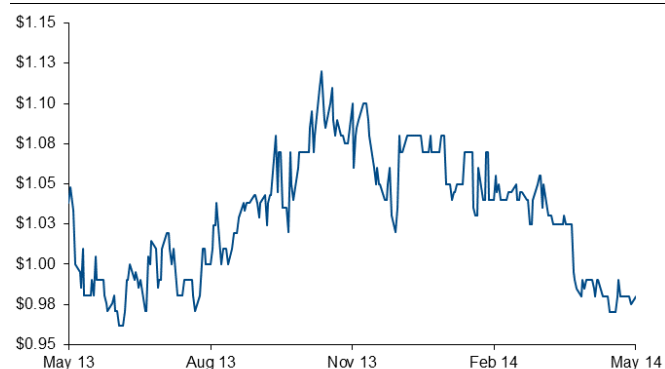
Top 10 Holdings as at 31 March 2014

Ticker	Company Name	Weightings
BHP	BHP Billiton Limited	7.47%
ANZ	Australia and New Zealand Banking Group Limited	5.01%
BKW	Brickworks Limited	4.04%
	Multiplex Convertible Note	3.84%
WBC	Westpac Banking Corporation	3.61%
WOW	Woolworths Limited	3.44%
TRS	The Reject Shop Limited	3.26%
NAB	National Australia Bank Limited	2.86%
TLS	Telstra Corporation Limited	2.76%
SMX	SMS Management & Technology Limited	2.70%
Cash and cash equivalents		43.12%
Total		82.11%

BBY Technical View – as at 16/05/2014

Short Term	Downtrend	Resistance	\$1.04
Long Term	Downtrend	Support	\$0.942

CAM Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

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10.1Y Company Research			19 May 2014		
Cadence Capital Limited					
CDM	A\$1.43	TARGET PRICE	A\$1.44	BUY	
Cadence Capital Limited is an investment company incorporated in Australia. The Fund aims to manage the portfolio on an absolute return basis and to achieve a high rate of return, comprising both income & capital growth. The Fund invests in a actively managed portfolio of securities listed & proposed to be listed on the ASX and dual listed securities. The Fund uses short selling.				Russell Wright +61 2 9226 0091 rxw@bby.com.au	





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A mid-tier absolute-return LIC

Cadence Capital Limited (CDM):

- ◆ is a mid-tier sized LIC in Australia by market capitalisation;
- ◆ trades at a 0.6% discount to NTA;
- ◆ does not disclose a 10-year TSR of 9.05%;
- ◆ has a sizeable management expense ratio of 1.00%;
- ◆ charges 20% performance fees on excess returns above the S&P/ASX All Ordinaries Accumulation Index; but
- ◆ **offers a very healthy 10.10% grossed up fully franked yield.**

Investment Aim

To achieve a high real rate of return (comprising both income and capital growth) over and above the All Ords Accumulation Index in the medium term.

Company Data

Number of shares	174M
Market capitalisation	\$248M
Free Float (%)	
12 month high/low	\$1.54/\$1.23
Average monthly turnover	\$7M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	277/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

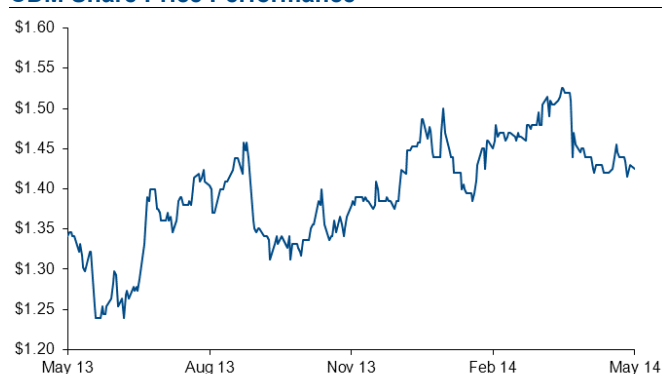
Top 20 Portfolio Holdings as at 31 March 2014

Ticker	Company Name	Weightings
HGG	Henderson Group PLC.	8.7%
MQG	Macquarie Group Limited	7.6%
NAB	National Australia Bank Limited	4.6%
ANZ	Australia and New Zealand Banking Group Limited	3.6%
BSL	Bluescope Steel Limited	3.3%
IIN	iiNet Limited	3.3%
MLB	Melbourne IT Limited	3.1%
RFG	Retail Food Group Limited	3.0%
BOQ	Bank of Queensland Limited	2.5%
RIO	RIO Tinto Limited	2.4%
PPT	Perpetual Limited	2.3%
ARI	Arrium Limited	2.1%
FXL	Flexigroup Limited	2.1%
CBA	Commonwealth Bank of Australia	2.0%
AMC	Amcor Limited	1.9%
SDG	Sunland Group Limited	1.8%
FLT	Flight Centre Travel Group Limited	1.5%
TOL	Toll Holdings Limited	1.4%
EPW	ERM Power Limited	1.4%
LNG	Liquefied Natural Gas Limited	1.3%
Top Portfolio Holdings Gross Exposure		59.80%

BBY Technical View – as at 5/05/2014

Short Term	Downtrend	Resistance	\$1.43
Long Term	Downtrend	Support	\$1.38

CDM Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research		19 May 2014			
Carlton Investments Limited					
CIN	A\$26.11	TARGET PRICE	A\$29.47		BUY
Carlton Investments Ltd is an investment company incorporated in Australia. The principal activity of the Company is the acquisition and long term holdings of shares and units in entities listed on the Australian Stock Exchange.			Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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The largest LIC worth buying

Carlton Investments Limited (CIN):

- ◆ is the seventh-largest LIC in Australia by market capitalisation;
- ◆ trades at a very healthy 11.1% discount to NTA;
- ◆ has a very healthy 10-year TSR of 11.4%;
- ◆ has a very creditable management expense ratio of just 0.10%;
- ◆ charges no performance fees and is “benchmark unaware”;
- ◆ offers a modest 5.17% grossed up fully franked yield.

Investment Aim

To invest in established, well managed Australian listed entities that are anticipated to provide attractive levels of sustainable income and also long term capital growth.

Company Data

Number of shares	26M
Market capitalisation	\$691M
Free Float (%)	
12 month high/low	\$26.70/\$20.00
Average monthly turnover	\$1M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	190/507
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Downtrend	Resistance	\$26.80
Long Term	Uptrend	Support	\$25.58

Top 20 Investments as at 31 March 2014

Ticker	Company Name	Weight (%)
AHD	Amalgamated Holdings Limited	34.5
NAB	National Australia Bank Limited	9.1
WBC	Westpac Banking Corporation	7.8
CBA	Commonwealth Bank of Australia	5.5
ANZ	Australia and New Zealand Banking Group Limited	4.1
BHP	BHP Billiton Limited	3.3
WES	Wesfarmers Limited	3.3
TLS	Telstra Corporation Limited	2.7
AGK	AGL Energy Limited	2.6
PPT	Perpetual Limited	2.6
BOQ	Bank of Queensland Limited	2.1
BEN	Bendigo and Adelaide Bank Limited	1.6
ORI	Orica Limited	1.5
GOW	Gowing Bros Limited	1.4
ORG	Origin Energy Limited	1.3
JHX	James Hardie Industries PLC	1.2
AMC	Arcor Limited	1.1
STO	Santos Limited	1.1
LLC	Lend Lease Group	0.8
RIO	RIO Tinto Limited	0.7
Total		88.3

CIN Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

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BBY Company Research			21 May 2014			
Contango Microcap Limited						
CTN	A\$1.01	TARGET PRICE	A\$1.24	BUY		
Contango MicroCap Limited is an listed investment company. The Fund aims to provide a long-term real rate of return higher than the S&P ASX All Ordinaries Accumulation Index, the regular payment of franked dividends, and the preservation of the capital base. The Fund invests in micro-cap sector of the Australian stockmarket, which are not included in the S&P ASX 300 Index.				Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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Trading at a massive discount to NTA yet has the highest 10-year TSR

Contango Microcap Limited (CTN):

- ◆ is a mid-tier sized LIC in Australia by market capitalisation;
- ◆ trades at a large 14.3% discount to NTA;
- ◆ has the highest 10-year TSR of all LICs in our universe at 17.5%;
- ◆ since the internalisation of Contango Asset Management Limited (portfolio managers) in October last year the 15% performance fee has been scrapped, as has the 1.25% pa management fee - staff are now essentially on payroll, managing CTN as well as funds for their other clients;
- ◆ until CTN report their new management expense ratio (after their June 2014 year-end) we are assuming 1.25%;
- ◆ no longer charges any performance fees on excess returns over the S&P/ASX All Ordinaries Accumulation Index; and
- ◆ offers a very healthy 9.25% (35% franked) grossed up yield.

Investment Aim

To achieve of a long term real rate of return for investors over and above the benchmark index - the S&P/ASX All Ordinaries Accumulation Index.

Company Data

Number of shares	158M
Market capitalisation	\$158M
Free Float (%)	
12 month high/low	\$1.15/\$0.94
Average monthly turnover	\$4M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	119/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

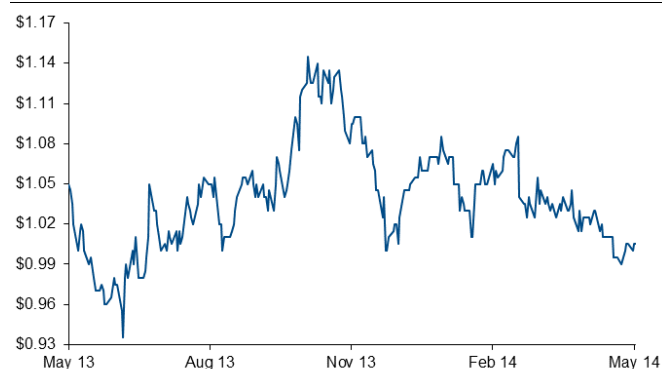
BBY Technical View – as at 19/05/2014

Short Term	Downtrend	Resistance	\$1.05
Long Term	Downtrend	Support	\$0.977

Top 20 Investments as at 31 March 2014

Ticker	Company Name	Weight (%)
SGH	Slater & Gordon Limited	3.8
GEM	G8 Education Limited	3.2
TGS	Tiger Resources Limited	3.0
MYX	Mayne Pharma Group Limited	2.7
VLW	Villa World Limited	2.6
PRT	Prime Media Group Limited	2.6
CWP	Cedar Woods Properties Limited	2.5
VRL	Village Roadshow Limited	2.5
BTT	Bt Investment Management Limited	2.4
SYR	Syrah Resources Limited	2.4
AHE	Automotive Holdings Group Limited	2.3
INA	Ingenia Communities Group	2.2
AUB	Austbrokers Holdings Limited	2.2
ASB	Austal Limited	2.2
GBT	GBST Holdings Limited	2.2
SFW	Sfg Australia Limited	2.2
IPP	Iproperty Group Limited	2.0
NHF	NIB Holdings Limited	1.9
EPW	ERM Power Limited	1.8
MLD	Maca Limited	1.8

CTN Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research			19 May 2014		
Century Australia Investments Limited					
CYA	A\$0.89	TARGET PRICE	A\$0.91	UNDERPERFORM	
Century Australia Investment Ltd is an investment company incorporated in Australia. The objective of the Company is to provide long-term capital growth and income. The Company invests in quality, undervalued Australian companies. The Company was established to provide investors with access to the investment style and expertise of 452 Capital Pty Ltd.				Russell Wright +61 2 9226 0091 rxw@bby.com.au	



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A bottom-tier LIC

Century Australia Investments Limited (CYA):

- ◆ is a bottom-tier LIC in Australia by market capitalisation;
- ◆ trades at a modest 3.5% discount to NTA;
- ◆ has no 10-year TSR yet, despite inception date being 8 April 2004;
- ◆ has a large management expense ratio of 1.00%;
- ◆ charges 10% performance fees on excess returns above the S&P/ASX 300 Accumulation Index; and
- ◆ offers a modest 4.63% grossed up fully franked yield.

Investment Aim

To provide long-term capital growth and income by investing in quality, undervalued Australian companies.

Company Data

Number of shares	80M
Market capitalisation	\$71M
Free Float (%)	
12 month high/low	\$0.92/\$0.72
Average monthly turnover	\$1M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	264/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

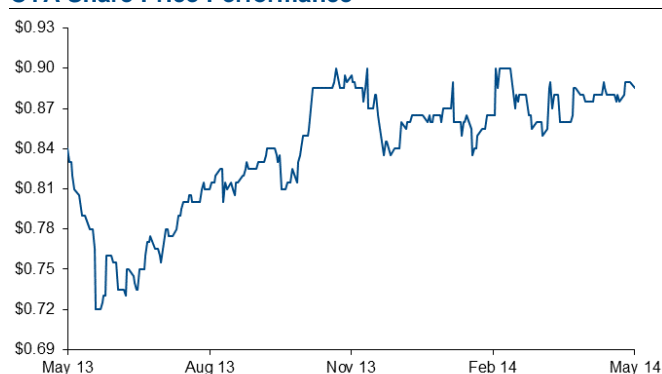
BBY Technical View – as at 16/05/2014

Short Term	Downtrend	Resistance	\$0.906
Long Term	Uptrend	Support	\$0.872

Portfolio Holdings as at 31 March 2014

Ticker	Company Name	Weight (%)
BHP	BHP Billiton Limited	9.7
WBC	Westpac Banking Corporation	8.4
ANZ	Australia and New Zealand Banking Group Limited	7.4
NAB	National Australia Bank Limited	7.4
CBA	Commonwealth Bank of Australia	6.7
TLS	Telstra Corporation Limited	5.7
MQG	Macquarie Group Limited	3.3
WPL	Woodside Petroleum Limited	2.9
RIO	RIO Tinto Limited	2.8
QBE	QBE Insurance Group Limited	2.7

CYA Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research			19 May 2014			
Djerriwarrh Investments Limited						
DJW	A\$4.65	TARGET PRICE	A\$4.19	UNDERPERFORM		
<p>Djerriwarrh Investments Ltd is an investment company incorporated in Australia. The aim of the Company is to attractive returns through fully franked dividends and capital growth. The Company invests in Australian equities with a focus on the top 50 Australian companies by market capitalisation. The Company also uses exchange traded options written against the portfolio to enhance income returns.</p>				<p>Russell Wright +61 2 9226 0091 rxw@bby.com.au</p>		

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Trades at nearly a 20% premium to NTA

Djerriwarrh Investments Limited (DJW):

- ◆ is the fourth-largest LIC in Australia by market capitalisation;
- ◆ trades at whopping 25.4% premium to NTA;
- ◆ has a modest 10-year TSR of 8.8%;
- ◆ has a modest management expense ratio of 0.39%;
- ◆ charges no performance fees and is “benchmark unaware”; and
- ◆ offers a healthy 8.29% grossed up fully franked yield.

Investment Aim

To provide shareholders with an enhanced level of fully franked dividends and to provide attractive total returns over the medium to long term.

Company Data

Number of shares	219M
Market capitalisation	\$1,016M
Free Float (%)	
12 month high/low	\$4.93/\$4.18
Average monthly turnover	\$11M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	383/507
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance	\$4.82
Long Term	Uptrend	Support	\$4.62

DJW Share Price Performance



Top 20 Investments as at 31 March 2014

Ticker	Company Name	Value (\$ million)
BHP	BHP Billiton Limited	90.6
WBC	Westpac Banking Corporation	61.5
NAB	National Australia Bank Limited	55.7
TLS	Telstra Corporation Limited	55.0
ANZ	Australia and New Zealand Banking Group Limited	54.5
CBA	Commonwealth Bank of Australia	53.8
OSH	Oil Search Limited	42.0
WPL	Woodside Petroleum Limited	38.6
WES	Wesfarmers Limited	28.6
RIO	RIO Tinto Limited	28.2
AMP	AMP Limited	23.3
STO	Santos Limited	21.7
WOW	Woolworths Limited	20.9
BXB	Brambles Limited	18.8
APA	APA Group	18.2
TCL	Transurban Group	17.9
QBE	QBE Insurance Group Limited	17.6
ORG	Origin Energy Limited	17.5
SUN	Suncorp Group Limited	15.1
AGK	AGL Energy Limited	14.2
Total		693.5

Source: Company

BBY Limited ABN 80 006 707 777

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BBY Company Research		19 May 2014			
Diversified United Investment Limited					
DUI	A\$3.56	TARGET PRICE	A\$3.76		BUY
Diversified United Investment Ltd is an investment company incorporated in Australia. The objective of the Company is through portfolio diversification and management to improve its dividends and interest over the longer term with an acceptable level of risk. The Company primarily invests in Australian equities with some allocation to listed property securities and fixed interest.			Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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Another large market capitalisation LIC worth buying

Diversified United Investment Limited (DUI):

- ◆ is one of the ten largest LICs in Australia by market capitalisation;
- ◆ trades at an appealing 5.3% discount to NTA;
- ◆ has a very healthy 10.8% 10-year TSR;
- ◆ has a very attractive 0.17% management expense ratio;
- ◆ is benchmark unaware so charges no performance fees; and
- ◆ offers a modest 5.45% grossed up fully franked yield.

Investment Aim

DUI seeks, through portfolio diversification and professional management, to improve its income from dividends and interest over the longer term within an acceptable level of risk.

Company Data

Number of shares	171M
Market capitalisation	\$609M
Free Float (%)	
12 month high/low	\$3.68/\$2.88
Average monthly turnover	\$3M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	192/507
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

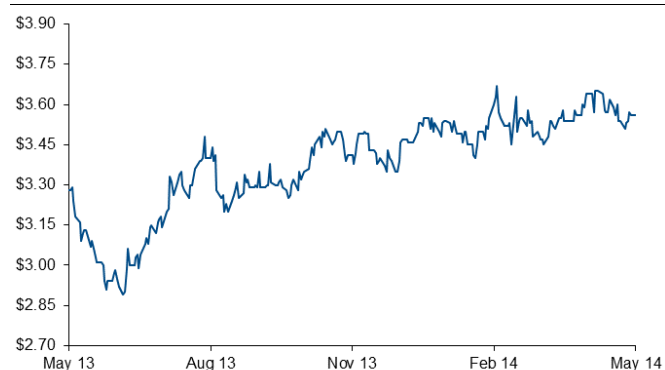
Top 25 largest shareholdings of the company as at 30 April 2014

Ticker	Company Name	Weight (%)
ANZ	Australia and New Zealand Banking Group Limited	9.1
WBC	Westpac Banking Corporation	8.8
CBA	Commonwealth Bank of Australia	8.8
BHP	BHP Billiton Limited	8.4
WPL	Woodside Petroleum Limited	6.0
NAB	National Australia Bank Limited	5.9
CSL	Csl Limited	5.4
RIO	RIO Tinto Limited	4.7
WOW	Woolworths Limited	3.6
TCL	Transurban Group	3.0
WES	Wesfarmers Limited	2.6
ORG	Origin Energy Limited	2.3
SOL	Washington H Soul Pattinson & Company Limited	2.1
OSH	Oil Search Limited	1.9
WDC	Westfield Group	1.8
AMP	AMP Limited	1.8
QBE	QBE Insurance Group Limited	1.7
MYS	Mystate Limited	1.7
AIO	Asciano Limited	1.5
CPU	Computershare Limited	1.4
PPT	Perpetual Limited	1.0
WOR	WorleyParsons Limited	0.9
BKW	Brickworks Limited	0.9
BTT	Bt Investment Management Limited	0.9
BXB	Brambles Limited	0.9
Total		87.1

BBY Technical View – as at 16/05/2014

Short Term	Downtrend	Resistance	\$3.63
Long Term	Uptrend	Support	\$3.51

DUI Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

Note: Numbers displayed are a sub-set

The ESG (Environmental, Social, Governance) score is a measure of the sustainability and ethical impact of an investment in this company or product. ESG scores range from 0.1 (min) to 100 (max). ESG scores are provided to BBY by Bloomberg and are only available for those companies that disclose ESG data to Bloomberg.

BBY Company Research		19 May 2014			
Emerging Markets Masters Fund					
EMF	A\$1.64	TARGET PRICE	A\$1.58		UNDERPERFORM
The Fund was established to provide Australian investors with the opportunity to gain access to leading global fund products and managers specialising in the global emerging markets equity asset class.			Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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The only Australian LIC currently targeting global emerging markets

Emerging Markets Masters Fund (EMF):

- ◆ is the smallest global LIC in our universe in Australia by market capitalisation;
- ◆ trades at a 6.5% premium to NTA;
- ◆ has no 10-year TSR as inception date was 9 October 2012;
- ◆ has the most expensive management expense ratio of 2.88% - but that's not surprising when it pays for 16 different managers;
- ◆ charges no performance fees and is "explicitly not benchmark aware due to perceived index deficiencies in MSCI Emerging Markets Index"; and
- ◆ offers a modest 5.59% zero-franked yield.

On 6 May 2014 Walsh & Company Investments Limited (Responsible Entity), as responsible entity of the Emerging Markets Masters Fund, announced the completion of the first of its offers under a product disclosure statement (PDS) dated 28 April 2014. The Initial Offer, of approximately \$17.4 million, closed early oversubscribed.

Templeton Emerging Markets Fund

Statement of Investments (Unaudited) - As at 30 November 2013

Country	Weight (%)
China	23.7
Thailand	12.8
Brazil	12.4
Hong Kong	7.9
India	7.6
Russia	7.5
Indonesia	5.8
South Korea	5.0
Turkey	4.7
Pakistan	3.1
Mexico	2.1
Peru	1.8
Austria	1.3
UK	1.2
South Africa	1.1
Poland	0.4
Jordan	0.2

Investment Aim

The Fund was established with the goal of providing attractive long-term total returns through a combination of capital appreciation and a consistent distribution stream.

The Fund is undertaking the Offer to provide potential investors with the opportunity to gain access to emerging markets through the Fund with the potential to improve absolute liquidity in the Fund's Units listed on the ASX.

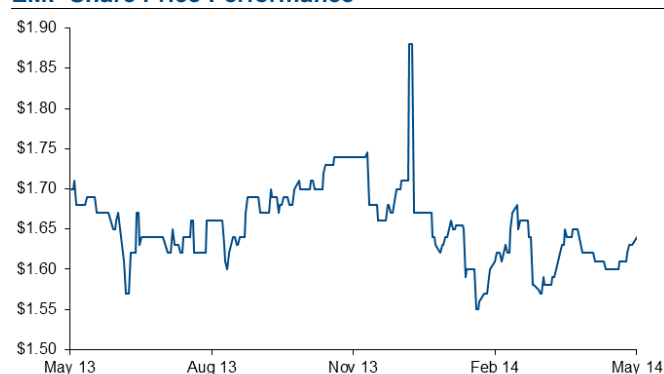
Company Data

Number of shares	84M
Market capitalisation	\$137M
Free Float (%)	
12 month high/low	\$1.88/\$1.55
Average monthly turnover	\$0M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	322/507
ESG Disclaimer Score (Ranking)	
GICS Industry Group	

BBY Technical View – as at 13/05/2014

Short Term	Downtrend	Resistance	\$1.65
Long Term	Downtrend	Support	\$1.57

EMF Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

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BBY Company Research			19 May 2014			
Flagship Investments Limited						
FSI	A\$1.60	TARGET PRICE	A\$1.69	UNDERPERFORM		
<p>Hyperion Flagship Invest Limited is a listed investment company incorporated in Australia. The objectives of the Fund are to achieve the highest possible real rate of return, comprising both income and capital growth, to preserve and enhance the real value of investments, and to provide shareholders with a fully franked dividend. The Fund invests in securities listed on the ASX.</p>					<p>Russell Wright +61 2 9226 0091 rxw@bby.com.au</p>	

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The only LIC not charging any management fee

Flagship Investments Limited (FSI):

- ◆ is the third-smallest LIC in our universe in Australia by market capitalisation;
- ◆ trades at large 13.5% discount to NTA;
- ◆ doesn't appear to publish its 10-year TSR despite its inception date being 1998;
- ◆ has a zero management expense ratio!;
- ◆ but charges 15% performance fees on any excess returns above the UBS Bank Bill Rate; and
- ◆ offers a modest 5.95% grossed up fully franked yield.

Investment Aim

To achieve long term growth and income.

Company Data

Number of shares	24M
Market capitalisation	\$39M
Free Float (%)	55.5
12 month high/low	\$1.67/\$1.26
Average monthly turnover	\$0M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	207/507
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance
Long Term	Uptrend	Support

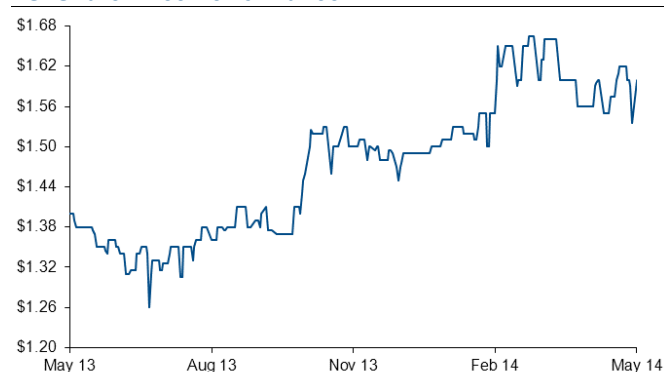
Sector Breakdown (as at 31 March 2014)

Sector	Weight (%)
Financials	27.8
Industrials	14.6
Consumer Discretionary	14.4
Materials	10.9
Information Technology	8.3
Telecommunication Services	8.1
Cash and Equivalent	5.8
Consumer Staples	4.0
Energy	3.7
Health Care	2.5

Top 5 Stock Holdings as at 31 March 2014

Ticker	Company Name	Weight (%)
SEK	Seek Limited	11.2
CBA	Commonwealth Bank of Australia	7.1
CRZ	Carsales.Com Limited	6.2
TLS	Telstra Corporation Limited	6.0
REA	REA Group Ltd	5.9

FSI Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

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BBY Company Research			19 May 2014		
Hunter Hall Global Value Limited					
HHV	A\$1.00	TARGET PRICE	A\$1.09	UNDERPERFORM	
<p>Hunter Hall Global Value Limited is a listed investment company incorporated in Australia. The Fund aims to provide substantial growth, and to outperform the MSCI World Accumulation Net Return Index in A\$ by 5% p.a. on a rolling five-year basis. The Fund invests in an ethically screened portfolio of undervalued international and Australian equities. The Fund is hedged for currency risk.</p>				<p>Russell Wright +61 2 9226 0091 rxw@bby.com.au</p>	

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A bottom-tier global LIC with large holdings in Australia

Hunter Hall Global Value Limited (HHV):

- ♦ is a bottom-tier global LIC in Australia by market capitalisation;
- ♦ trades at a large 11.9% discount to NTA;
- ♦ has a very modest 6.2% 10-year TSR (since inception 190 March 2004);
- ♦ has a very large management expense ratio of 1.77%;
- ♦ charges 15% performance fees for returns in excess of the MSCI World Total Return Index in A\$; and
- ♦ offers a healthy 6.30% gross yield that is 15% franked.

Top 10 Holdings as at 31 March 2014

Company	Country	Weight (%)
Sirtex Medical	Australia	17.5
M2 Telecommunications	Australia	4.8
Danieli	Italy	3.0
Afren	UK	2.5
Maca Limited	Australia	2.2
NCR Corporation	USA	2.0
JDS	USA	1.8
ICBC	China HK	1.8
Bank of New York Mellon	USA	1.7
Expedia	USA	1.7
Total		39

Investment Aim

To achieve substantial growth in the value of each share through ownership of a portfolio of undervalued international and Australian equities, augmented by a tax efficient capital management policy.

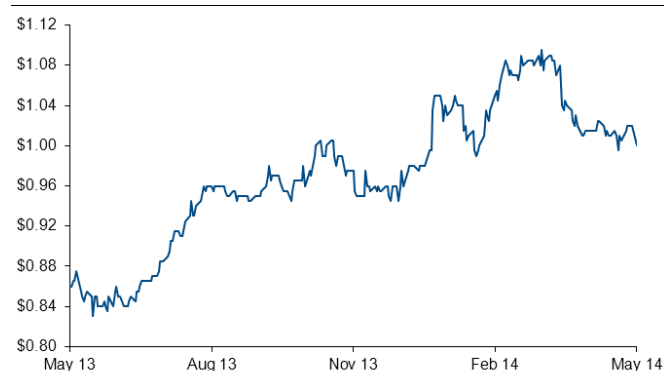
Company Data

Number of shares	188M
Market capitalisation	\$188M
Free Float (%)	
12 month high/low	\$1.12/\$0.83
Average monthly turnover	\$5M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	211/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Downtrend	Resistance	\$1.06
Long Term	Uptrend	Support	\$1.02

HHV Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research		19 May 2014	
Magellan Flagship Fund Limited			
MFF	A\$1.49	TARGET PRICE	A\$1.46
		UNDERPERFORM	
Magellan Flagship Fund Limited is a listed investment company incorporated in Australia. The Fund aims to maximise compound after-tax returns. The Fund invests in 30 to 100 investments, with the focus on identifying and investing in listed international and Australian companies, with attractive business characteristics, at a discount to their assessed intrinsic values.		Russell Wright +61 2 9226 0091 rxw@bby.com.au	





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A mid-tier global LIC that's changed its performance fees

Magellan Flagship Fund Limited (MFF):

- ◆ is a mid-tier global LIC in Australia by market capitalisation;
- ◆ trades at a sizeable 5.0% premium to NTA;
- ◆ has no 10-year TSR as inception was December 2006;
- ◆ has a large management expense ratio of 1.25%;
- ◆ was charging 10% performance fees on excess returns above the MSCI World ex-Australia in A\$ but being changed to cap of \$2m per annum until 31/12/16 if the TSR>10%; and
- ◆ offers a paltry 1.37% yield with no franking.

Holdings with Market values above A\$1M as at 31 March 2014

Company	%Weight
Wells Fargo	13
Visa	10.6
Bank of America	9.8
Lowe's	8.5
Home Depot Inc	7.6
HCA Holdings	6.8
Mastercard	6.3
Wal-Mart	5.9
US Bancorp	5.8
Lloyds Banking Group	5.6
Bank of New York Mellon	4.7
State Street	4
Sainsbury J	2.5
Qualcomm	1.4
Danone	1.4
Unilever	0.9
Adidas	0.5
Sing Tech Engineering	0.5
Diageo	0.5
SIA Engineering	0.4
SATS	0.2

Investment Aim

Maximising compound risk adjusted after-tax returns for Shareholders by identifying and investing in a minimum of 20 stock exchange listed international and Australian companies assessed to have highly attractive business characteristics, at a discount to their assessed intrinsic values. A second objective will be to minimise risk of permanent capital loss for shareholders.

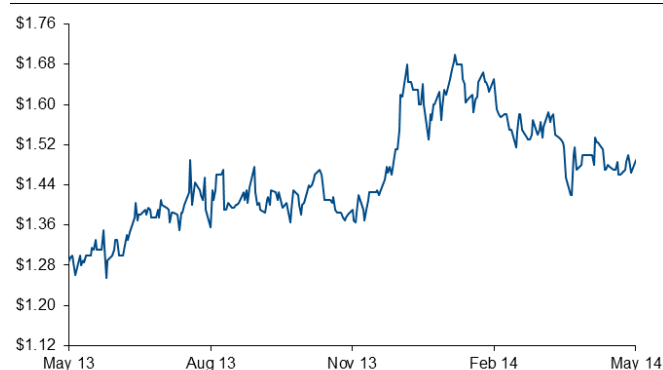
Company Data

Number of shares	355M
Market capitalisation	\$529M
Free Float (%)	
12 month high/low	\$1.72/\$1.25
Average monthly turnover	\$13M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	292/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Downtrend	Resistance	\$1.53
Long Term	Downtrend	Support	\$1.39

MFF Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research		19 May 2014			
Mirrabooka Investments Limited					
MIR	A\$2.68	TARGET PRICE	A\$2.51		UNDERPERFORM
Mirrabooka Investments Ltd is an investment company incorporated in Australia. The objective of the Company is to provide capital appreciation and income over the medium to long-term. The Company invests in small and medium-sized companies located in Australian and New Zealand that are smaller than the Australian top 50 listed companies.			Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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An ex-top-50 LIC

Mirrabooka Investments Limited (MIR):

- ◆ is the thirteenth-largest LIC in Australia by market capitalisation;
- ◆ trades at a sizeable 11.3% premium to NTA;
- ◆ has a sizeable 10-year TSR of 11.3%;
- ◆ has a high management expense ratio of 0.70%;
- ◆ charges no performance fees but measures itself against the S&P/ASX Mid Cap 50 and Small Ordinaries Accumulation Indices; and
- ◆ offers a very healthy 11.3% grossed up fully franked yield.

Investment Aim

To provide medium to long term investment gains through holding core investments in selected small and medium sized companies and to provide attractive dividend returns to shareholders from these investments.

Company Data

Number of shares	139M
Market capitalisation	\$374M
Free Float (%)	
12 month high/low	\$2.85/\$2.09
Average monthly turnover	\$3M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	358/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance	\$2.66
Long Term	Downtrend	Support	\$2.57

Top 20 Investments as at 30 April 2014

Ticker	Company Name	Total Value (\$'000)
JHX	James Hardie Industries PLC	15,092
OSH	Oil Search Limited	12,575
EQT	Equity Trustees Limited	11,995
TGR	Tassal Group Limited	11,205
ALQ	ALS Limited	10,125
ANN	Ansell Limited	9,590
TOX	Tox Free Solutions Limited	9,022
QUB	Qube Holdings Limited	8,562
IVC	InvoCare Limited	7,980
IRE	IRESS Limited	7,700
PPT	Perpetual Limited	7,504
AWX	AWX Capital Limited	7,184
SEK	Seek Limited	6,939
FBU	Fletcher Building Limited	6,739
BGL	BigAir Group Limited	6,652
VOC	Vocus Communications Limited	6,204
RHC	Ramsay Health Care Limited	6,049
TOL	Toll Holdings Limited	5,555
CCL	Coca-Cola Amatil Limited	5,449
FNP	Freedom Foods Group Limited	5,321
Total		167,442

MIR Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research			19 May 2014			
Milton Corporation Limited						
MLT	A\$4.37	TARGET PRICE	A\$4.35	UNDERPERFORM		
<p>Milton Corporation Limited is a listed investment company incorporated in Australia. The Fund aims to generate an increasing income stream in the form of fully franked dividends by investing in a portfolio that will also provide growth. The Fund invests in companies, trusts, fixed interest securities (including mortgages), and property.</p>					<p>Russell Wright +61 2 9226 0091 rxw@bby.com.au</p>	

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The third-largest LIC in Australia by market capitalisation

Milton Corporation Limited (MLT):

- ◆ is the third-largest LIC in Australia by market capitalisation;
- ◆ trades at negligible 1.2% premium to NTA;
- ◆ has a modest TSR of 9.35%;
- ◆ has a very creditable management expense ratio of 0.13%;
- ◆ charges no performance fees and is “benchmark unaware”; and
- ◆ offers a modest 5.53% grossed up fully franked yield.

Top 20 Investments as at 30 April 2014

Ticker	Company Name	Weight (%)
WBC	Westpac Banking Corporation	13.4
CBA	Commonwealth Bank of Australia	8.7
NAB	National Australia Bank Limited	5.7
SOL	Washington H Soul Pattinson & Company Limited	5.0
BHP	BHP Billiton Limited	4.7
WES	Wesfarmers Limited	4.5
ANZ	Australia and New Zealand Banking Group Limited	3.7
WOW	Woolworths Limited	3.7
BOQ	Bank of Queensland Limited	3.3
ALS	Alesco Corporation Limited	3.1
TLS	Telstra Corporation Limited	2.6
BEN	Bendigo and Adelaide Bank Limited	2.4
PPT	Perpetual Limited	2.3
BKW	Brickworks Limited	1.6
CSL	Csl Limited	1.5
SUN	Suncorp Group Limited	1.5
AGK	AGL Energy Limited	1.4
RIO	RIO Tinto Limited	1.3
WPL	Woodside Petroleum Limited	1.2
QBE	QBE Insurance Group Limited	1.1
Total		72.7

Investment Aim

To generate an increasing income stream for distribution to shareholders in the form of fully franked dividends and to provide growth in the value of the shareholder's investments.

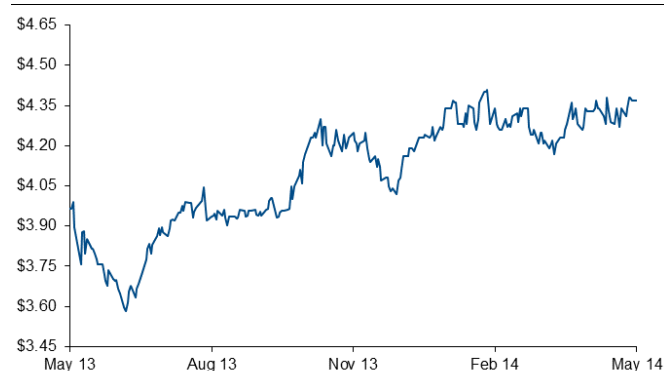
Company Data

Number of shares	631M
Market capitalisation	\$2,757M
Free Float (%)	
12 month high/low	\$4.44/\$3.58
Average monthly turnover	\$15M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	292/507
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance	\$4.46
Long Term	Uptrend	Support	\$4.25

MLT Share Price Performance



BBY Limited ABN 80 006 707 777

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BBY Company Research			19 May 2014			
Naos Emerging Opportunities Company Limited						
NCC	A\$1.07	TARGET PRICE	A\$1.24	BUY		
NCC has been established to invest primarily in a concentrated portfolio of listed entities that are not included in the S&P/ASX 100 Accumulation Index. The Company believes that there are excellent opportunities for investment in such emerging companies as market inefficiencies present opportunities to generate an attractive risk-adjusted return.					Russell Wright +61 2 9226 0091 rxw@bby.com.au	

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A bottom-tier LIC investing in domestic emerging companies

Naos Emerging Opportunities Company Limited (NCC):

- ◆ is a bottom-tier LIC in Australia by market capitalisation;
- ◆ trades at a massive 13.8% discount to NTA;
- ◆ has no published 10-year TSR yet, as inception was only 26 February 2013 (but the manager, NAOS, has a 9-year track record of successfully investing in Australian emerging companies with an inception return of 35.08%);
- ◆ has a very large management expense ratio of 1.25%;
- ◆ charges 15% performance fees on excess returns above the Small Ordinaries Accumulation Index (XSOAI); and
- ◆ offers a very healthy 7.14% grossed up fully franked yield.

NCC does not disclose their top shareholdings.

Investment Aims

- ◆ To provide investors with high quality, transparent and concentrated exposure to emerging companies;
- ◆ To provide investors with material outperformance over the S&P/ASX Small Ordinaries Accumulation Index;
- ◆ the Benchmark Index for the Company, over the medium to long term;
- ◆ To seek to provide investors with an average dividend yield of at least 4.00% per annum franked to the maximum extent possible, payable at the end of the first financial year, and after that, half yearly; and
- ◆ To achieve long term capital appreciation.

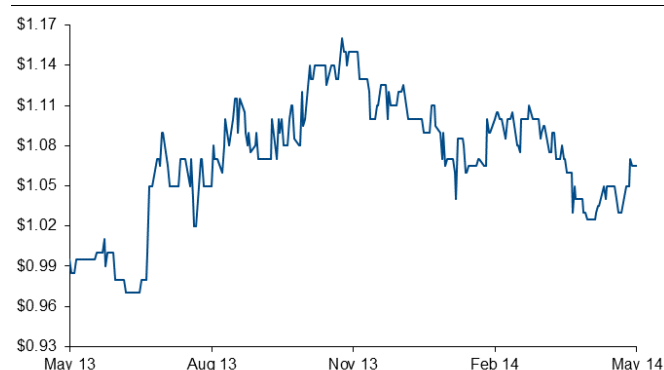
Company Data

Number of shares	35M
Market capitalisation	\$38M
Free Float (%)	
12 month high/low	\$1.16/\$0.97
Average monthly turnover	\$2M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	157/500
ESG Disclaimer Score (Ranking)	
GICS Industry Group	

BBY Technical View – as at 13/05/2014

Short Term	Uptrend	Resistance	\$1.09
Long Term	Downtrend	Support	\$1.02

NCC Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research		19 May 2014			
Ozgrowth Limited					
OZG	A\$0.20	TARGET PRICE	A\$0.24		BUY
Ozgrowth Ltd. is an investment company. The Company offers investments in unlisted and listed micro capitalization, researched companies, long term holdings, short term arbitrage, and trading.			Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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A smaller LIC with Western Australian focus offering high dividend yield

Ozgrowth Limited (OZG):

- ◆ is a smaller LIC in Australia by market capitalisation;
- ◆ trades at a massive 17.7% discount to NTA;
- ◆ has no 10-year TSR yet%;
- ◆ has a large management expense ratio of 1.00%;
- ◆ charges 20% performance fees on excess returns above the S&P/ASX Small Ordinaries Index; and
- ◆ **offers an excellent 12.5% grossed up fully franked yield.**

Portfolio Holdings as at 30 April 2014

Ticker	Company Name	Weight (%)
CWP	Cedar Woods Properties Limited	20.0
AQA	Aquila Resources Limited	7.0
AHE	Automotive Holdings Group Limited	7.0
MGX	Mount Gibson Iron Limited	6.0
AUT	Aurora Oil & Gas Limited	6.0
SEA	Sundance Energy Australia Limited	5.0
TAP	Tap Oil Limited	5.0
MML	Medusa Mining Limited	5.0
FRI	Finbar Group Limited	4.0
AGO	Atlas Iron Limited	3.0
TGZ	Teranga Gold Corporation	3.0
NFE	Northern Iron Limited	2.0
	Other	24.0
	Cash	4.0
Total		100.0

Interestingly, on 5 May 2014, Aquila Resources Limited (AQA) announced it has received notice of an unsolicited conditional off market takeover offer for the outstanding ordinary shares in it at a price of \$3.40 per share. Last traded price before the announcement was \$2.45. WIC and OZG hold significant positions in AQA. As at the end of April, AQA represented 9% of WIC's portfolio and 7% of OZG's. The two holdings combined represent approximately 2% of the issued capital in AQA.

Investment Aim

Generate consistent positive returns over the medium to long term. The majority of investments have a connection to Western Australia.

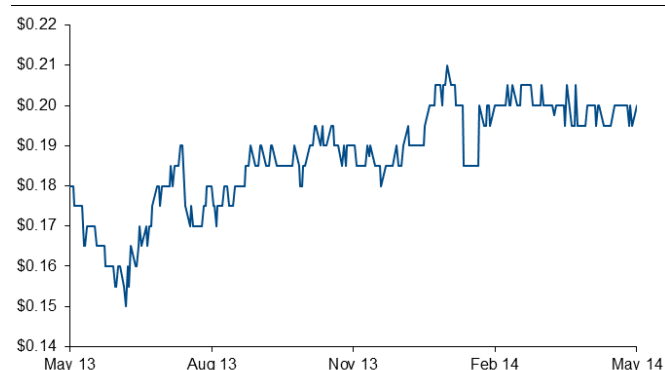
Company Data

Number of shares	360M
Market capitalisation	\$72M
Free Float (%)	
12 month high/low	\$0.21/\$0.15
Average monthly turnover	\$1M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	129/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance	\$0.202
Long Term	Uptrend	Support	\$0.195

OZG Share Price Performance




BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

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BBY Company Research		19 May 2014			
Platinum Capital Limited					
PMC	A\$1.63	TARGET PRICE	A\$1.65		UNDERPERFORM
Platinum Capital Limited is an investment company incorporated in Australia. The objective of the Company is to seek long term capital growth. The Company invests in potential growth companies within Australia and internationally which are undervalued by the market. The Company's portfolio encompass a variety of sectors including telecommunications, gold, software and retail.			Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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A mid-tier global LIC that's seen better returns

Platinum Capital Limited (PMC):

- ◆ is a mid-tier global LIC in Australia by market capitalisation;
- ◆ trades at a sizeable 1.5% premium to NTA;
- ◆ has a modest 7.8% 10-year TSR (but a much better 12.7% return since 30 June 1994 inception);
- ◆ has a very large management expense ratio of 1.50%;
- ◆ charges 10% performance fees on excess returns 5% above the MSCI AC World Net Index in A\$; and
- ◆ offers a very healthy 6.76% grossed up fully franked yield.

Top 15 Holdings as at 31 October 2013

Company	Weight (%)
Ericsson LMB	2.6
Intesa Sanpaolo SpA	2.4
Google Inc	2.4
eBay Inc	2.1
Samsung Electronics	2.1
Intel Corp	2.1
Bank of America	2.0
Micron Technology	2.0
Sina Corp	1.9
Baker Hughes	1.9
Casino Guichard Perrachon	1.9
Carnival Group	1.9
Bangkok Bank	1.8
Foster Wheeler	1.7
Jacobs Engineering	1.7

Investment Aim

To provide capital growth over the long-term.

Company Data

Number of shares	231M
Market capitalisation	\$377M
Free Float (%)	
12 month high/low	\$2.03/\$1.32
Average monthly turnover	\$13M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	272/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance	\$1.73
Long Term	Downtrend	Support	\$1.56

PMC Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research		19 May 2014			
Templeton Global Growth Fund Limited					
TGG	A\$1.25	TARGET PRICE	A\$1.32		UNDERPERFORM
Templeton Global Growth Fund Ltd is a listed investment company incorporated in Australia. The Fund aims to provide long-term appreciation from a globally diversified portfolio of investments. The Fund's investment approach is based on value (investment in undervalued stocks), patience (well chosen, undervalued stocks will be recognised by the marker over time), and a bottom-up analysis.					Russell Wright +61 2 9226 0091 rxw@bby.com.au

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Mid-tier global LIC

Templeton Global Growth Fund Limited (TGG):

- ♦ is a mid-tier global LIC in Australia by market capitalisation;
- ♦ trades at a sizeable 8.4% discount to NTA;
- ♦ has a very modest 5.5% 10-year TSR;
- ♦ has a large management expense ratio of 1.00%;
- ♦ charges no performance fees but measures itself against the MSCI AC World Free Index; and
- ♦ offers a paltry 2.83% grossed up fully franked yield.

Country Allocation as at 31 December 2013 (unaudited)

Country	Weight (%)
Belgium	1.0
Brazil	1.4
Canada	1.2
China	1.6
France	12.2
Germany	4.2
Ireland	1.4
Israel	0.8
Italy	2.8
Japan	6.9
Netherlands	7.1
Norway	1.0
Russia	0.5
Singapore	2.5
South Korea	3.5
Spain	0.9
Switzerland	3.8
Turkey	0.5
UK	10.7
USA	34.9
Total	98.76

Investment Aim

To achieve long term capital growth from a globally diversified portfolio of investment securities.

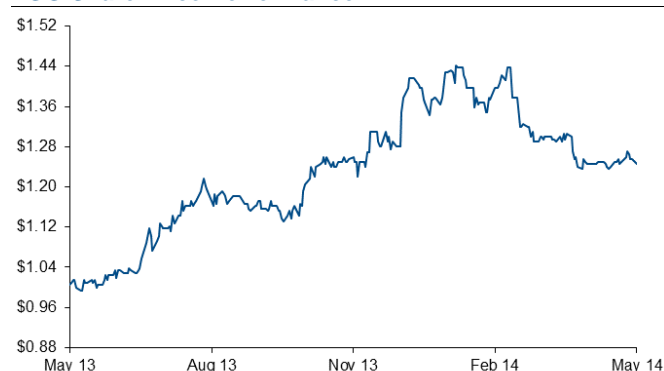
Company Data

Number of shares	198M
Market capitalisation	\$247M
Free Float (%)	
12 month high/low	\$1.46/\$0.97
Average monthly turnover	\$8M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	230/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance	\$1.32
Long Term	Downtrend	Support	\$1.19

TGG Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research		19 May 2014			
WAM Capital Limited					
WAM	A\$1.90	TARGET PRICE	A\$1.86		UNDERPERFORM
WAM Capital Ltd is an investment company incorporated in Australia. The objectives of the Fund are to achieve a high real rate of return, preserve capital and create strong dividend flow. The Fund invests in ASX listed and unlisted securities, bills of exchange and other negotiable investments, as well as cash management trusts.			Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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A top-tier domestic LIC with an excellent TSR

WAM Capital Limited (WAM):

- ◆ is the eighth-largest LIC in Australia by market capitalisation;
- ◆ trades at 6.4% premium to NTA;
- ◆ has an excellent 10-year TSR of 9.7%;
- ◆ has a large management expense ratio of 1.0%;
- ◆ charges a 20% performance fees on returns exceeding the S&P/ASX All Ordinaries Accumulation Index; and
- ◆ offers an excellent 9.92% grossed up fully franked yield.

Top Investments as at 31 March 2014

Ticker	Company Name	Weight (%)
CBAPA	CBA Perpetual Exc Resale Listed Sec	2.7
Dna	Donaco International Limited	2.4
CYA	Century Australia Investments Limited	2.3
AHE	Automotive Holdings Group Limited	2.0
SGH	Slater & Gordon Limited	1.8
ANZPB	ANZ Convertible Preference Share	1.6
WIC	Westoz Investment Company Limited	1.6
AAD	Ardent Leisure Group	1.6
HIL	Hills Limited	1.6
CSR	CSR Limited	1.6
IPE	IPE Limited	1.5
BKW	Brickworks Limited	1.4
NEA	Nearmap Ltd	1.3
TPM	Tpg Telecom Limited	1.3
VOC	Vocus Communications Limited	1.3
MQA	Macquarie Atlas Roads Group	1.2
DJS	David Jones Limited	1.2
FLT	Flight Centre Travel Group Limited	1.1
GWA	GWA Group Limited	1.1
CSV	CSG Limited	1.1

Investment Aim

WAM Capital Limited (WAM) is a listed investment company that provides investors exposure to an actively managed diversified portfolio of undervalued growth companies. These are generally found in the small to medium industrial sector. WAM also provides exposure to relative value arbitrage and market mispricing opportunities. The investment objectives are to deliver investors a rising stream of fully franked dividends, to provide capital growth and preserve capital.

Company Data

Number of shares	341M
Market capitalisation	\$647M
Free Float (%)	
12 month high/low	\$2.09/\$1.60
Average monthly turnover	\$16M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	341/507
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 27/05/2014

Short Term	Downtrend	Resistance	\$1.95
Long Term	Downtrend	Support	\$1.86

WAM Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research			28 May 2014			
WAM Research Limited						
WAX	A\$1.14	TARGET PRICE	A\$1.12	UNDERPERFORM		
WAM Research Limited is a listed investment company that invests in undervalued growth companies, primarily small to medium sized industrial companies listed on the ASX. The investment objectives are to provide a growing stream of fully franked dividends and to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the Directors.					Russell Wright +61 2 9226 0091 rxw@bby.com.au	

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A mid-tier LIC investing in industrial small caps

WAM Research Limited (WAX):

- ◆ is mid-tier LIC in Australia by market capitalisation;
- ◆ trades at a modest 0.4% premium to NTA;
- ◆ has a 10-year TSR of 6.1%;
- ◆ has a large management expense ratio of 1.00%;
- ◆ charges a 20% performance fees on returns exceeding the S&P/ASX All Ordinaries Accumulation Index; and
- ◆ offers a very healthy 9.01% grossed up fully franked yield.

Top Holdings as at 31 March 2014

Ticker	Company Name	Weight (%)
SGH	Slater & Gordon Limited	3.6
AAD	Ardent Leisure Group	3.2
DNA	Donaco International Limited	3.1
CBAPA	CBA Perpetual Exc Resale Listed Sec	2.7
AHE	Automotive Holdings Group Limited	2.7
NEA	Nearmap Ltd	2.6
TPM	Tpg Telecom Limited	2.5
VOC	Vocus Communications Limited	2.2
GWA	GWA Group Limited	2.1
CSV	CSG Limited	2.1
CIW	Clime Investment Management Ltd	2.0
TNE	Technology One Limited	2.0
FXJ	Fairfax Media Limited	2.0
DLX	Duluxgroup Limited	2.0
ENE	Energy Developments Limited	2.0
IPP	Iproperty Group Limited	1.8
ANZPB	ANZ Convertible Preference Share	1.8
SFW	Sfg Australia Limited	1.7
RWH	Royal Wolf Holdings Limited	1.6
SGN	STW Communications Group Limited	1.4

Investment Aim

WAM Research Limited (WAX) is a listed investment company that invests in undervalued growth companies, primarily small to medium sized industrial companies listed on the ASX. The investment objectives are to provide a growing stream of fully franked dividends and to achieve a high real rate of return, comprising both income and capital growth, within risk parameters acceptable to the Directors.

Company Data

Number of shares	140M
Market capitalisation	\$159M
Free Float (%)	
12 month high/low	\$1.25/\$0.91
Average monthly turnover	\$3M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	287/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Downtrend	Resistance	\$1.14
Long Term	Downtrend	Support	\$1.08

WAX Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research		19 May 2014		
Whitefield Limited				
WHF	A\$4.22	TARGET PRICE	A\$4.28	UNDERPERFORM
Whitefield Ltd is an listed investment company incorporated in Australia. The Fund aims to generate an investment return which is in excess of the market return over the longer term. The Fund invests in a diversified portfolio of securities listed on the Australian Stock Exchange that are capable of generating dividend income and growth in dividends in current and future years.				Russell Wright +61 2 9226 0091 rxw@bby.com.au





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An ex-resources LIC

Whitefield Limited (WHF):

- ◆ is a mid-tier sized LIC in Australia by market capitalisation;
- ◆ trades at a modest 3.9% discount to NTA;
- ◆ has a reasonable 10-year TSR of 9.05%;
- ◆ has a creditable management expense ratio of 0.35%;
- ◆ charges no performance fees but measures itself against the ASX 200 All Industrials (XJIAI); and
- ◆ offers a very pedestrian 5.78% yield with no franking.

Investment Aim

To provide shareholders with a diversified exposure to the industrial (non-resource) segment of the Australian share market.

Company Data

Number of shares	76M
Market capitalisation	\$322M
Free Float (%)	
12 month high/low	\$4.24/\$3.32
Average monthly turnover	\$2M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	266/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance	\$4.35
Long Term	Uptrend	Support	\$4.04

Top 20 Investments as at 31 March 2014

Ticker	Company Name	Weight (%)
CBA	Commonwealth Bank of Australia	10.7
WBC	Westpac Banking Corporation	9.2
ANZ	Australia and New Zealand Banking Group Limited	7.8
NAB	National Australia Bank Limited	7.2
TLS	Telstra Corporation Limited	5.4
MQG	Macquarie Group Limited	5.2
WOW	Woolworths Limited	3.8
WES	Wesfarmers Limited	3.5
CPU	Computershare Limited	3.1
BXB	Brambles Limited	2.6
CWN	Crown Resorts Limited	2.5
CSL	CsI Limited	2.2
QBE	QBE Insurance Group Limited	2.1
AMP	AMP Limited	1.8
SVW	Seven Group Holdings Limited	1.7
AMC	Amcor Limited	1.6
FOXLV	Twenty-First Century FOX, Inc. A Nonvote	1.6
IVC	InvoCare Limited	1.5
SUN	Suncorp Group Limited	1.4
IPL	Incitec Pivot Limited	1.2
	Cash and cash equivalents	2.1

WHF Share Price Performance




BBY Limited ABN 80 006 707 777

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BBY Company Research		19 May 2014			
Westoz Investment Company Limited					
WIC	A\$1.25	TARGET PRICE	A\$1.35		BUY
Westoz Investment Company Limited is a listed investment company incorporated in Australia. The Fund aims to generating a positive return over the medium to long term regardless of the overall direction of the share market. The portfolio will consist of between 10 and 25 stocks. Any short positions will not represent more than 20%. Leverage may be employed, but total exposure will not exceed 120%			Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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Mid-tier LIC with Western Australia focus offering high dividend yield

Westoz Investment Company Limited (WIC):

- ◆ is mid-tier LIC in Australia by market capitalisation;
- ◆ trades at large 7.6% discount to NTA;
- ◆ has no 10-year TSR yet%;
- ◆ has a large management expense ratio of 1.00%;
- ◆ charges 20% performance fees on excess returns above the S&P/ASX Small Ordinaries Index; and
- ◆ **offers an excellent 12.1% grossed up fully franked yield.**

Investment Aim

To generate consistent positive returns over the medium to long term. The majority of investments have a connection to Western Australia.

Company Data

Number of shares	128M
Market capitalisation	\$160M
Free Float (%)	
12 month high/low	\$1.30/\$0.96
Average monthly turnover	\$3M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	222/500
ESG Disclaimer Score (Ranking)	n/a
GICS Industry Group	Diversified Financials

Investment Portfolio as at 30 April 2014

Ticker	Company Name	Weight (%)
AHE	Automotive Holdings Group Limited	10.0
FRI	Finbar Group Limited	10.0
AQA	Aquila Resources Limited	9.0
AUT	Aurora Oil & Gas Limited	9.0
MGX	Mount Gibson Iron Limited	6.0
CWP	Cedar Woods Properties Limited	6.0
MML	Medusa Mining Limited	6.0
SEA	Sundance Energy Australia Limited	5.0
SFR	Sandfire Resources NL	4.0
AGO	Atlas Iron Limited	4.0
	Other	20.0
	Cash	12.0
Total		100

BBY Technical View – as at 13/05/2014

Short Term	Uptrend	Resistance	\$1.26
Long Term	Uptrend	Support	\$1.22

WIC Share Price Performance




Interestingly, on 5 May 2014, Aquila Resources Limited (AQA) announced it has received notice of an unsolicited conditional off market takeover offer for the outstanding ordinary shares in it at a price of \$3.40 per share. Last traded price before the announcement was \$2.45. WIC and OZG hold significant positions in AQA. As at the end of April, AQA represented 9% of WIC's portfolio and 7% of OZG's. The two holdings combined represent approximately 2% of the issued capital in AQA.

BBY Limited ABN 80 006 707 777

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BBY Company Research		19 May 2014			
Watermark Market Neutral Fund Limited					
WMK	A\$1.03	TARGET PRICE	A\$1.03		UNDERPERFORM
Watermark Market Neutral Fund Limited (WMK) is a listed investment company investing predominantly in Australian securities. The Company's portfolio is managed by Watermark Funds Management, an absolute return manager with a long track record. In a market neutral structure, the long portfolio and short portfolio are of roughly equal value. This minimises exposure to general market movements.			Russell Wright +61 2 9226 0091 rxw@bby.com.au		

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A bottom-tier market neutral LIC

Watermark Market Neutral Fund Limited (WMK):

- ◆ is a bottom-tier LIC in Australia by market capitalisation;
- ◆ trades at a small 2.9% discount to NTA;
- ◆ has no 10-year TSR yet%;
- ◆ has a large management expense ratio of 1.00%;
- ◆ charges 20% performance fees on excess returns above the RBA Cash Rate; and
- ◆ offers a paltry 3.52% grossed up fully franked yield.

Top 10 Holdings as at 30 April 2014

Ticker	Company Name	Weight (%)
ANZ	Australia and New Zealand Banking Group Limited	5.3
CBA	Commonwealth Bank of Australia	4.6
TCL	Transurban Group	2.4
QBE	QBE Insurance Group Limited	2.1
ORG	Origin Energy Limited	2.1
AWC	Alumina Limited	2.0
TGS	Tiger Resources Limited	1.7
SEA	Sundance Energy Australia Limited	1.7
RMD	ResMed Inc.	1.7
IPL	Incitec Pivot Limited	1.7

Fund Statistics

Fund NAV AUD (Millions)	87.7
Long (93)	95.4%
Short (67)	-91.2%
Gross Exposure	186.6%
Net Exposure	4.2%
Cash	95.9%

Investment Aim

The fund looks to invest in leading Australian companies, with strong business fundamentals on attractive terms. By constructing a portfolio of these undervalued shares we hope to deliver superior returns to our shareholders over time.

Company Data

Number of shares	84M
Market capitalisation	\$86M
Free Float (%)	
12 month high/low	\$1.08/\$0.98
Average monthly turnover	\$2M
% S&P/ASX 200	n/a
% All Ordinaries	n/a
DDM Ranking	269/500
ESG Disclaimer Score (Ranking)	
GICS Industry Group	Diversified Financials

BBY Technical View – as at 16/05/2014

Short Term	Uptrend	Resistance	\$1.02
Long Term	Downtrend	Support	\$0.999

WMK Share Price Performance



BBY Limited ABN 80 006 707 777

Source: BBY, Company Reports. BBY contributes all company estimates to Bloomberg, Thomson Reuters, FactSet and Capital IQ.

Note: Numbers displayed are a sub-set

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Technical Analysis

BBY employs technical analysis for forecasting the direction of prices through the study of past market data, primarily price and volume.

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